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History of
Banking in California

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Financing an Empire

HISTORY *of* BANKING IN CALIFORNIA

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CHAPTER XII

BANKING IN LOS ANGELES PRIOR TO 1890

For many years following the coming of the Mission Fathers the southern part of California lay undeveloped and unappreciated except by the few sturdy pioneers who realized the value of its wonderful climate and its marvelous natural agricultural resources. Looking back upon the past from the vantage point of the twentieth century, it appears truly amazing that its possibilities could have been so completely overlooked by those who came into the territory with the gold rush. But the early Mission Fathers, and the Spanish families that followed in their wake, had thoroughly appreciated the beauty and the natural resources of that section of the new land, and as a consequence there was established in a favored spot a pueblo, known as *de Nuestra Senora La Reina de Los Angeles*. At first the territory round about appeared to be adapted only to the grazing of cattle, and practically all of the old families possessed ranches of great extent, over which grazed thousands of head of cattle and sheep. Los Angeles was for many years a small trading post from which ranchers for miles around occasionally obtained needed supplies.

When Los Angeles was founded in 1781, it was officially recorded as having a population of forty-four people. By 1800, this had increased to 315, and by 1840, to 1,250. The town was but little affected by the gold rush, being far removed from the beaten paths of the Argonauts, and by 1850, the official census figures recorded a population of only 1,610. But the decade of the '50s was for that district a period of rather fair prosperity. High prices and a ready market were to be had for the products of the soil and for cattle and hides. A rush to the gold mines in the Kern River territory occurred in 1856-57, and assisted in awakening the sleepy little community. Many of those traveling into the Kern River fields, and also the greater part of the supplies required for that mining district, necessarily passed through Los Angeles. During 1858, a number of new buildings were

erected in the growing city, the estimated expenditure being \$180,000. Los Angeles grew rather rapidly during that period, and by 1860 was credited with a population of 4,385. Its population, undoubtedly, would have expanded at a much more rapid rate, however, had the town not been so inaccessibly located. Those who came from the East to San Francisco and desired to journey to Los Angeles had to make the trip either by sea, which meant spending the better part of two days in a small unsanitary steamer, or by stage through the dust and heat of the San Joaquin Valley, which at that time was nothing but a dreary desert.

With the passing of the activity following the stampede into the Kern River country, a financial depression settled upon the city in 1859, and "affected the temperament of citizens so much that little or no attention was paid to holidays * * * and during 1860, many small concerns closed their doors altogether."¹ The decade of 1860-70 was for Southern California one of financial difficulties, disaster and losses for those engaged in business and in ranching. The greatest flood known in the state's history occurred during the winter and spring season of 1861-62. Agriculturists and cattlemen lost heavily because of the destruction wrought by the flooded rivers, which drowned countless head of cattle and seriously damaged all crops. The forces of Nature then went to the other extreme, and gave to California that which proved to be one of the most serious droughts that it has ever experienced. As has been noted above, the principal industry throughout Southern California was the raising of cattle and horses, the livestock subsisting on wild grasses, which usually grew in abundance over the greater part of that territory. An adequate seasonal rainfall was a necessity. Even in normal years, according to one of the old settlers, business men and ranchers would rise three or four times during a single meal to see if the overhanging clouds had not yet begun to give that rain which they seemed to promise and which was so vital to the prosperity of that part of the state. The weather was, indeed, the one important topic of conversation wherever people gathered. Rainfall was the determining factor in deciding whether or not the season's activities were to end successfully. During the winter and spring of 1862-63, only about four inches of rain fell upon

¹ Newmark, *op. cit.*, p. 256.

the parched countryside, and a year later it was not until March (1864) that the first shower fell to moisten the earth's surface. Newmark states that, "Everywhere large numbers of horses and cattle died, as well as many sheep, the plains at length being strewn with carcasses and bleached bones. * * * I saw famished cattle while on a visit to the springs at Paso de Robles crowd around the hotel veranda for the purpose of devouring the discarded matting containers which had held Indian rice." As summer approached, conditions became increasingly critical. Many ranchers lost from forty to fifty thousand head of cattle and were forced to mortgage their land holdings for paltry sums. Los Angeles County with an assessment of \$2,000,000 was unable to collect a cent of taxes. "Men were so miserably poor that confidence mutually weakened and merchants refused to trust those who as land and cattle barons but a short time before had been so influential and most of whom, in another or more favorable season or two, were again operators of affluence."² The drought of 1862-64, however, caused many of the large ranches to be broken up into smaller holdings, and thus made possible the introduction of a greatly diversified agriculture, upon which the prosperity of that section of the state rested for so long a time to the exclusion of all other forms of economic activity. The completion of the Los Angeles & San Pedro Railroad to Wilmington in 1869 tended to brighten the situation somewhat for the merchants of Los Angeles, inasmuch as it gave them for the first time cheaper and more satisfactory freight connections with the Pacific Ocean.

Strangely enough, Los Angeles and Southern California in general were benefited rather than harmed by the completion of the transcontinental railroad in 1869. San Francisco suffered for practically a decade while attempting to adjust itself and its frontier life to the new conditions caused by the railroad. Los Angeles, however, enjoyed a period of fairly widespread prosperity during the '70s. Immigrants came into California from the East over the newly constructed railroad line and drifted down into the San Joaquin Valley, quite a number finding their way into the southern districts where they planted small orchards or took up sheep raising. There was also a considerable number of buildings erected in and near Los Angeles. Mention should also be made of the rejoicing which occurred when that city was

² Newmark, *op. cit.*, pp. 328-329.

united on September 6, 1876, with the transcontinental railroad line, and thus linked with eastern cities, even though by a circuitous route. The period of the '70s was also characterized by the founding of various agricultural colonies. Riverside and the adjacent territory were first to be colonized. Next came the activities of the San Gabriel Orange Grove Association, which resulted in the founding of the beautiful city of Pasadena. Long Beach was opened up by the American Colony toward the closing years of the decade. Other colonizing projects followed in their wake. The crash of the Bank of California in San Francisco in August, 1875, forced the closing of the three banks then operating in Los Angeles, and ultimately the failure of one of them, and considerably jarred the financial fabric of Southern California. The sheep industry also suffered severely from the drouth of 1877. With those two exceptions, however, the period was in reality one of slow, steady growth and upbuilding for a more glorious future. The population of Los Angeles increased from 5,728 in 1870, to 11,183 in 1880, while the population of Los Angeles County during the same period increased from 15,309 to 33,881. The assessed valuation of property in the city increased from \$2,108,061 in 1871, to \$6,871,913 in 1880.

Down into the early years of the '70s, Los Angeles and the southern part of the state were practically without financial institutions to care for the needs of business and of the people. Economic development in the southland was consequently seriously interfered with. There was necessarily a deplorable lack of available funds. Interest rates ruled at extraordinarily high levels, 5 per cent a month failing to bring in sufficient capital to meet the needs of the district, and "under such a handicap economic progress was necessarily slow."³ Cleland quotes the *Southern Californian* of February 8, 1855, as stating that, "The great scarcity of money is seen in the present exorbitant rates of interest which it commands; 8, 10 and even 15 per cent per month is freely paid and the supply even at these rates is too meager to meet the demands."⁴ It is interesting to read the statement of Newmark to the effect that a Madame Salandie, who came to

³ Cleland, R. G., *History of California: The American Period*, N. Y., 1922, p. 310.

⁴ *Ibid.*, p. 311.

California in 1849 and shortly after opened up a butcher shop in Los Angeles, was also "rather curiously a money lender."

Unlike San Francisco it took years for Los Angeles to develop her first banking institution. This was to be expected, because from the first days following the discovery of gold, San Francisco was a mercantile community, providing supplies, and also funds, for the more populous cities of the state, while Los Angeles and the adjacent territory were concerned primarily with farming and stock raising. Banking houses of one kind or another began in San Francisco practically with the gold rush. The people and business of Los Angeles did not feel the need of banking facilities until many years later.

John G. Downey, the seventh governor of the State, in writing about the development of banking in Los Angeles, declared that during the period of the Civil War, the Southern Californians were as much opposed to the use of greenbacks as were the people in the central and northern districts. Greenbacks were accepted, but only at varying rates of discount depending upon what they were worth in Los Angeles or New York. Merchants in San Francisco made fortunes by buying their merchandise in the East, paying for it in greenbacks, and selling it in California for gold, but the merchants of Los Angeles and San Diego reaped no such rewards. Their supplies came from San Francisco and had to be paid for in gold. Inasmuch as they likewise sold in terms of gold to their customers, they did not have the opportunity of making large profits through the difference existing between the value of greenbacks and gold, as was the case with the merchants of San Francisco.

Toward the end of the '60s, the financial situation improved slightly due to the incoming settlers who had begun to be attracted by the cheap lands and by the tales regarding the tremendous opportunities abounding in the southland. Some years later Downey wrote that,

"Towns in this State of much less importance than Los Angeles have had banks and bankers from the very organization of the State and long before its admission into the Union, while we have been without banking facilities until within a brief period. The cause of this, perhaps, may be attributed to the larger proportion of our population being native Californians. The American population was composed principally of young men without much financial experience, and the old American and foreign

pioneers, many of them wealthy, had the experience only of mountaineers and trappers, and the idea of establishing a bank, to them, was simply preposterous. The result has been that from the year 1849 until 1868 Los Angeles was without a bank, save the facilities offered, in the way of exchange, by Wells, Fargo & Company. Every merchant who had a safe was a repository of money belonging to friends. During the three years of active business of my own, 1851, 1852 and 1853, I used to have in my safe \$200,000; each depositor putting in his sack or bag of buckskin, filled with gold dust, or fifty dollar octagonal slugs, tying with string, and taking no receipt, and when he wanted money he called for his bag, took out what he wanted, and placed it back again. I have since often reflected what an excellent opportunity there was of establishing at that time a banking business of the most profitable character.”⁵

In the same article, he tells with a great deal of amusement that, “They all laughed at me, and I well recollect the consolation I received from an intimate and dear personal friend. It was this, ‘I hope, Downey, that you and I will never see a bank established in Los Angeles. We have gotten along so well without one’.” If the meager facilities afforded by the agency of Wells, Fargo & Company be excluded, it may truthfully be said that it was not until 1865 that the first bank was established in Los Angeles, and that it then came about as a result of the farsightedness of I. W. Hellman in a manner later to be explained.

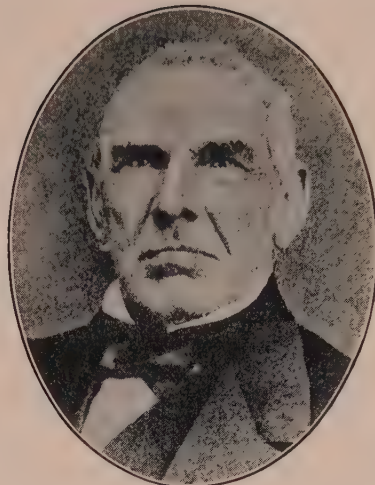
Harris Newmark, who arrived in Los Angeles in 1853, states that for at least twenty years thereafter the credit system of the community was so irregularly established as to be no system at all. Land and other values were very low; there was a scarcity of ready money; and large ranchers were usually given a very long, uncertain period before being called upon to pay their bills. Accounts were usually settled after the harvesting had been done. Wine growers would pay when the grape crop had been sold; cattle men would settle their bills when they had sold their cattle. There was no foundation whatsoever for credit or for credit extension. Accounts were frequently carried through three or four dry seasons before being paid. Newmark states that,⁶

⁵ Condition, Progress and Advantages of Los Angeles City and County, Southern California. Written and compiled by A. T. Hawley, by authority of the Los Angeles Chamber of Commerce, and published by the Body for Free Distribution. Published July, 1876, at Los Angeles, Calif. Chapter VI, from which the above quotation is taken, deals with The Banking System of Los Angeles, and is written by Governor J. G. Downey, Ex-president Farmers & Merchants Bank of Los Angeles, pp. 97-98.

⁶ Op. cit., p. 129.



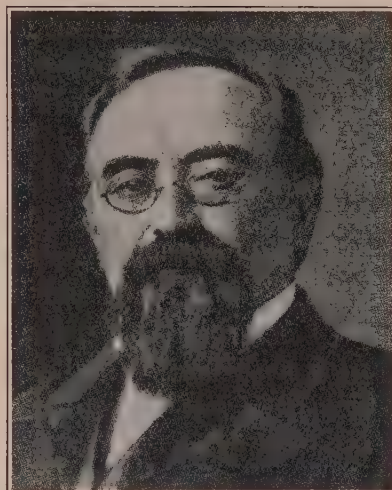
Alvinza Hayward



John Temple



Herman W. Hellman



I. W. Hellman, Sr.

LOS ANGELES BANKERS

"Business conditions in the fifties were necessarily very different from what they are today. There was no bank in Los Angeles for some years, although Downey and one or two others may have had some kind of a safe. People generally hoarded their cash in deep, narrow buckskin bags, hiding it behind merchandise on the shelves until the departure of a steamer for San Francisco, or turning it into such vouchers as were negotiable and could be obtained here. John Temple, who had a ranch or two in the North (from which he sent cattle to his agent in San Francisco), generally had a large reserve of cash to his credit with butchers or bankers in the northern city, and he was thus able to issue drafts against his balances there; being glad enough to make the exchange, free of cost. When, however, Temple had exhausted his cash, the would-be-remitter was compelled to send the coin itself by express. He would then take the specie to the company's agent; and the latter, in his presence, would do it up in a sealed package and charge one dollar a hundred for safe transmission. No wonder, therefore, that people found expressing coin somewhat expensive, and were more partial to the other method."

Newmark also tells of one Mateo who left \$30,000 on deposit with S. Lazard & Company, local merchants for so many years, that it was feared he would never return and claim it. He did return, however, presented his certificate of deposit, and withdrew the funds which in the meantime had been lying idle and had drawn no interest. Funds were left with merchants, because it was they who had safes and strong boxes. The county treasurer had to make payments of tax receipts twice a year to the State treasurer at Sacramento. Down into the '60s, the trip was most dangerous because the "state was full of desperate characters who would cut a throat or scuttle a ship for a good deal less than the amount involved."⁷ The funds could have been transported by Wells, Fargo & Company's Express, but the rates were so exorbitant as to be prohibitive. Later on, however, the latter reduced its charges and was given the task of transferring the county's remittances to the State government at Sacramento. In passing it may not be amiss to mention the fact that it was not until 1859 that H. N. Alexander, agent for Wells, Fargo & Company in Los Angeles, announced that he had been provided with scales for weighing gold dust, and that his office was prepared to transact a general exchange business.

⁷ Newmark, *op. cit.*, p. 260.

As far as I have been able to ascertain the facts of the case, I. W. Hellman was the first person in Los Angeles to hang out his sign as "Banker," which he did in 1865. The circumstances which led him to do so, have been described by J. A. Graves, president of the Farmers & Merchants National Bank of Los Angeles, in the following manner:

"He was doing a mercantile business and had a large old-fashioned Tilden & McFarland safe. Miners would come in, with those long buckskin purses, in vogue in early days, and would deposit their gold dust with him. He had at times \$200,000 in gold dust in that safe. That fact was a fine commentary on the safety of this community at that time. His safe was in a building that a child could have broken into and yet it was never robbed. Probably one reason was the fact that any kind of a thief, even a horse thief, when captured, was swung up to a neighboring tree, without trial. Today, under all the refinements of our criminal law and practices, every bank in this town has to maintain armored cars and a force of private guards and detectives, to move mail to and from the post office and to move coin around through the city. Merchants would also deposit gold with him, where they had no safes. These miners would get gloriously drunk and gamble. When out of funds, they would come back to him, get out the purses deposited in their respective names, take out gold dust, tie the purse up again and put it back. Finally a great big double-jointed Irishman, who had been on a glorious drunk and spent money freely, came to get the remnant of his deposit. His purse was nearly empty. He was now sober. He looked at it and, with an oath, he said: 'You dirty Jew, you have stolen my gold.' Fortunately, a companion, who had stayed sober, was with him, and that companion had been with him every time he opened his sack. He put his hand on Pat's arm, and said: 'Pat, that will not do. It is not true. I have been with you. I told you not to drink and gamble, but you would do it. You took this gold out yourself, and you must apologize to Mr. Hellman,' which he did. Mr. Hellman told me that it was against his commercial instincts to have so much gold not earning anything, and that, after this incident with the Irishman, he said to himself, 'What is to prevent one of those fellows from cracking me over the head, sticking a knife into my ribs, or shooting me,' and, as he was a man of peace, he cudgeled his brains what to do. This was on a Saturday. He got hold of a good friend who was running a paper, and between them they fixed up some passbooks and some deposit slips marked 'I. W. Hellman, Banker.' He had a carpenter fence off a corner of his store, in which he put the safe, and hung up the sign, 'I. W. Hellman, Banker.' The next miner

who came along with gold dust was told he could not leave it there, 'but,' said Mr. Hellman, 'I will buy your gold dust, at current rates, and I am running a bank. Here, see this book. After I buy your gold you can deposit the money with me, take this book and check it out as you please. All checks drawn on me, while your money lasts, will be paid.' The scheme took and, strange to say, the miners spent much less money after they began to make the bank deposits, than they did before. Many of them left thousands and thousands of dollars with him, and when the mines gave out a great many of them bought land, built houses, barns, etc., and became prosperous farmers, and always had a high regard for Mr. Hellman. Their descendants are still here.

"At that time, all the merchants were paying their bills in San Francisco, where all purchases were made, shipping their money by express. The express company made a flat charge of one dollar for every package, no matter how little or how much it contained, and then a stiff percentage on the value of the gold shipped. Hellman, one by one, persuaded the merchants to open accounts with him, and he sold them exchange on San Francisco with which to pay their debts. Hellman had to ship gold to San Francisco to keep up his bank balances there, but by shipping large quantities he would save the dollar charge on the many small packages, so that the business paid him from the start.

"Such was I. W. Hellman's introduction to banking, without any banking training, and nothing but his hard sense and commercial instincts to guide him."

Three years later, J. G. Downey, who as noted above, had attempted unsuccessfully to induce his Los Angeles associates to join with him in the establishment of a bank, turned to some of his friends in San Francisco, and at last was successful in persuading James Alvinza Hayward of that city to join with him in supplying \$100,000 with which to open, in the Downey Block, a bank under the name of James A. Hayward & Company. The *Alta California* of San Francisco on January 26, 1868, carried the following interesting bit of correspondence from its Los Angeles representative:

"The Room and Vault of the Banking House of Hayward & Company are nearly ready for opening. The location on Main St. in front of Commercial is central and convenient. The monthly transmission of coin between this place and San Francisco is sufficient to give considerable business to a bank that has funds at each place upon which to draw, as the present cost of transmitting coin to and from your city [San Francisco] would leave

a good margin for a profit and yet sell exchange at less than the present cost of sending coin."

The first notice of the opening of this institution that I have been able to find, appeared in the *Weekly Los Angeles Republican* of February 22, 1868, so that it must have begun operations at about that time. Downey declared later that the bank had flattering prospects of a successful business and was proceeding admirably when young Hayward, in his desire to develop the Soledad mines, invested the bank's entire capital in that venture, thus causing internal dissension in the partnership and bringing about its dissolution. Downey continued the business, however, assuming and paying all obligations.

During the first week of September, 1868, I. W. Hellman in association with William Workman, F. P. F. Temple and James R. Toberman, established the banking house of Hellman, Temple & Company, with Hellman as manager, and with a capital stock of \$125,000. It was located in the Pico Building. In September, 1870, however, Hellman, Temple & Company dissolved partnership, the business being continued by I. W. Hellman, under the firm name of Hellman & Company. The reason for the dissolution given by Hellman was that Temple was not a banker inasmuch as he required that the borrower should have only one qualification, i. e., he must be poor. There seemed to be some question regarding whether or not there was room at that time for two banking houses in the little town of Los Angeles. Therefore, early in February, 1871, steps were taken to consolidate the Downey and Hellman banks under the title of the Bank of Los Angeles with a capital of \$500,000. A charter was obtained on February 12, 1871, but the bank was opened on April 10, 1871, as the Farmers & Merchants Bank of Los Angeles. Within a short time \$380,000 of the authorized capitalization was paid in. John G. Downey was the first president, and Isaias W. Hellman, the first cashier. The latter became president of the bank on July 19, 1876, and so continued until his death on April 9, 1920. The original trustees of that bank, which has played such an important part in the wonderful development of Southern California, and which has given the state several of its outstanding financiers, were John G. Downey, Charles Ducommun, O. W. Childs, I. M. Hellman, George Hanson, A. Glassell, J. S. Griffin, Jose Mascarel, and I. W. Hellman.

Isaias W., and Herman W. Hellman had arrived in Los Angeles in 1859 from their native land, Germany. Both had been born in Bavaria, I. W. Hellman in 1842, and H. W. Hellman in 1843. Their cousin, I. M. Hellman, had preceded their arrival in Los Angeles by five years and had established himself in the stationery business. H. W. Hellman entered the employ of the late Phineas Banning at Wilmington, where he remained a clerk until 1864, when he opened a small store in Los Angeles dealing in fancy goods, stationery, and books. He later joined with Jacob Haas in the wholesale grocery business and remained in that business until 1890, then becoming associated with his brother, Isaias W., as vice president and manager of the Farmers & Merchants Bank. H. W. Hellman was actively associated with many of the banking institutions in and near Los Angeles, being especially interested in the Merchants National Bank, of which he was president for many years and with which his sons, Marco H. and Irving, were later intimately connected. He died October 19, 1906.

I. W. Hellman went into his cousin's stationery store as a clerk. By 1865, he had accumulated sufficient funds to buy out the dry goods store of A. Portugal located on the corner of Main and Commercial streets. In 1867, he sold out to Polaski & Goodwin. During his years of store keeping, I. W. Hellman had come intimately in contact with the large land owners and men of fortune in the district, whose confidence and patronage he had gained. He had often been asked by them to advise them or to assist in the management of their financial affairs, and in that connection laid the foundation for his subsequent outstanding career as a banker and financier, in which capacity he became one of the best and most widely known figures on the Pacific Coast. No one man of California has left an impress upon the financial affairs of the state in so many different communities and in such an unquestioned manner as I. W. Hellman. He has been described by those who knew him as one born with a genius for finance, who stood for "honorable dealing in the purest interpretation of that expression, for business morality and for breadth of business principles." J. A. Graves, who was almost constantly associated with him in one capacity or another from the earliest days of his banking career, makes the following statement regarding Hellman's standards of banking ethics:

"One thing I want to call attention to, and that is, his leniency to debtors. In all my experience with him, he never foreclosed a mortgage until he was compelled to, to prevent the statute of limitations running. Very often the debtor would have numerous judgments against him, and foreclosure was necessary. He used to scare me to death. He would hold the papers until a day or two before the statutory time would expire, and then hand them to me to bring suit, and in one instance I remember that there was no time to search title; I simply filed a complaint against the principal and filled in about twenty-five or thirty John Does and Richard Roes. I afterwards had the title searched and all subsequent encumbrances were served as John Does. He used to say to me, 'Graves, I have to be a better man than you are, because I am a Jew. You can do things that I cannot do. If I did them I would be criticized, while you will not be.' He added, 'I have to keep that steadily in mind, in all my dealings'."

In the management of the bank, it was always his policy to consider the interest of his depositors as coming first. Large cash reserves were constantly carried on hand, frequently approximating 50 per cent of the deposit liabilities.

I. W. Hellman was married April 4, 1870, to Miss Esther Neugass of New York. Three children were born to them, two daughters and one son, I. W. Hellman, Jr. The latter in 1909, was elected vice president of the Farmers & Merchants National Bank, and also served as president of the Union Trust Company of San Francisco and vice president of the Wells Fargo Nevada National Bank. He died in May, 1920, only a month and a day following the death of his father. In 1890, I. W. Hellman, Sr., was called to San Francisco by parties financially interested in the Nevada Bank, who desired him to undertake active management of its affairs. He was impressed with the opportunities afforded by the bustling financial center of the Pacific Coast, and in company with certain well known San Francisco capitalists purchased the bank and assumed control. He subsequently merged it with the Wells Fargo Bank, and remained at the head of the merged institution, the Wells Fargo Nevada National Bank, until his death in 1920. Besides participating in the organization of many other banking houses, he was the moving factor in establishing the Los Angeles Savings Bank in 1887, the Union Trust Company of San Francisco in 1893, and the Southern Trust Company of Los Angeles in 1904; he assisted in the forma-

tion of the Los Angeles Clearing House and the California Bankers Association, and in many ways took an active part in moulding banking ideals and practices within the state. Although he moved to San Francisco on March 2, 1890, and although he was closely connected for many years with the management of a number of the outstanding financial and business interests of the Pacific Coast, he retained, until the day of his death, an unflagging interest in the Farmers & Merchants National Bank of Los Angeles. "Had necessity arisen, he would have freely used every dollar he possessed to save it from disaster."

Thus from 1859 to 1920, I. W. Hellman was one of the outstanding financial forces in Southern California, and participated in laying the solid foundations for its subsequent prosperity. There was hardly any business development in or around Los Angeles in which he was not actively, if not financially, interested. He was such a modest man that many of his charitable and humane benefactions went unnoticed. One out of the large number of things which showed his bigness of character, as well as that of his friend and business associate, John G. Downey, was their connection with the founding of the University of Southern California in 1880. Hellman, a Jew, Downey, a Catholic, and O. W. Childs, a Protestant (who was associated with Hellman and Downey in the Farmers & Merchants Bank), donated 308 acres of land in what was then West Los Angeles to provide a campus for the University of Southern California, the first Protestant institution of higher learning in that part of the state.

Hellman's intimate associate, John G. Downey, was born in Ireland, June 24, 1827. His family wished him to become a priest and thus to carry out a family tradition, but he demurred, and in 1842 migrated to America settling for a short time with relatives in Maryland. He was later apprenticed to the drug business in Washington, went to Vicksburg where he worked in a drug and stationery store, and in 1846, became a partner of a firm operating a drug store in Cincinnati. In 1849, he came to California. When he arrived in San Francisco, he had \$10 in silver and a gold watch. He pawned the latter and made off for the mines. After a short time spent at Marysville, Grass Valley and other mining centers, he became satisfied that it was not the life that he desired to lead. Accordingly, he went back to Sacra-

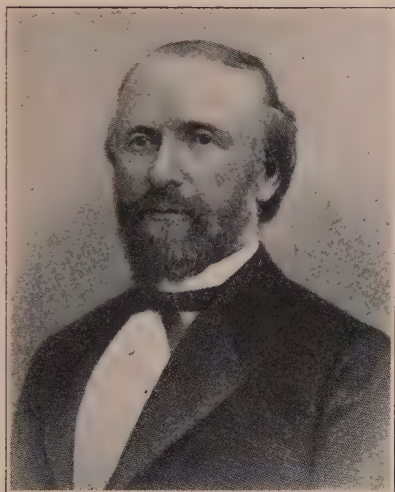
mento, rolled barrels on the levee for passage money, and returned to San Francisco, where he clerked in a store for two weeks and then found employment in the wholesale drug house of Henry Johnson & Co.

One day, Downey chanced to see a copy of a small newspaper printed in Los Angeles which gave a most glowing account of the advantages and natural resources of Southern California. Becoming interested, he inquired of his acquaintances as to the possibilities of that part of the state. One of his friends, W. D. Howard, asked, "What in the world do you want to go there for with your drugs? It is the healthiest country in the world." To which Downey replied, "Well, tell me how many people are now there and I will teach them how to take medicine." Downey purchased a shipment of drugs, which had been thrown onto the glutted market in San Francisco, at 20 per cent less than the original cost, and proceeded to Los Angeles. He walked from San Pedro to Los Angeles in order to save the \$10 stage fare. He associated himself with Dr. A. H. McFarland of Tennessee, and in 1850, established the only drug store between San Francisco and San Diego. At the end of three years Downey had accumulated \$30,000. He then engaged in cattle and sheep raising, and in a short time had accumulated a modest fortune.

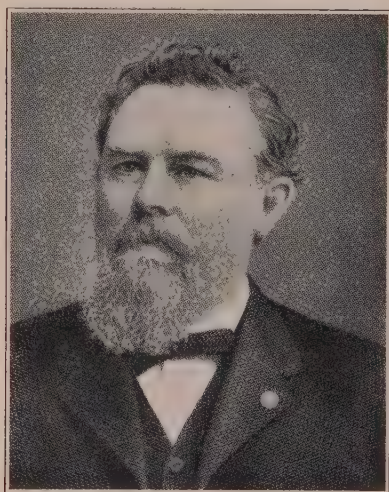
Downey was convinced that Los Angeles had a wonderful future ahead of it and consequently purchased large holdings of land in the vicinity of Downey, Wilmington and San Pedro until he possessed about 75,000 acres in addition to his holdings in the City of Los Angeles. He and Hellman were the first of the Southern Californians to cut up their large landed holdings into small tracts, selling them at as low as \$10 an acre, and allowing the buyer ten years in which to pay for the same. It was Downey who erected the first large building in Los Angeles, the Downey Block, at a cost of \$16,500. In the gubernatorial election of 1859, Milton Latham was elected governor and J. G. Downey, lieutenant-governor. When United States Senator David Broderick was shot by Judge Davis S. Terry, the former's place in the Senate was filled temporarily by Henry P. Haun. On the day following the inauguration of Latham as governor, he (Latham) was chosen by the Legislature to succeed Broderick; Haun had died on his way back to California to campaign for



Judge R. M. Widney



Ex-Governor John G. Downey



Major George H. Bonebrake

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reelection. Downey succeeded Latham on January 14, 1860, and became the seventh governor of the State. "In person Downey was well formed, a very little below medium height, ruddy of complexion and active in movement. He was a pleasant man, easily accessible and assumed no airs." Following his retirement from political life, he remained active as a banker and landed gentleman, dying in Los Angeles on March 1, 1894.

The Farmers & Merchants Bank prospered from the very first. I. W. Hellman, as manager, immediately inaugurated the practice of paying interest on time deposits, which met with ready approval on the part of the public. This innovation brought many depositors who had previously banked their funds in San Francisco in order to obtain the interest which banks in that city paid on time deposits. Within a surprisingly short time the bank advertised to the public that it had \$100,000 to lend on proper security. On June 15, 1874, the bank moved from its first location on North Main Street, adjoining the Bella Union Hotel (later known as the St. Charles Hotel), to its own building at 335 North Main Street. In the latter part of 1883, it again moved to the southwest corner of Commercial and Main streets, where it remained until the completion of its present quarters at the corner of Fourth and Main streets on March 27, 1905. In 1903, it became the Farmers & Merchants National Bank. It is the only large bank in Los Angeles which has not obtained its resources by merging with or absorbing other banks. It has had but three presidents, John G. Downey, who served until 1876; I. W. Hellman who succeeded Downey and remained its head until his death in 1920; and J. A. Graves, its present executive. Mr. Graves, at one time the attorney for practically all of the banks of Los Angeles, became associated with the Farmers & Merchants Bank as vice president in April, 1896.

On November 23, 1871, two months after the Farmers & Merchants Bank had been opened, the Temple & Workman Bank was established in what was known as the Temple Block. Temple and Workman had previously been associated with I. W. Hellman in the banking firm of Hellman, Temple & Co. The bank began with \$50,000 capital stock paid in and a credit for \$100,000 with the London & San Francisco Bank, Ltd., of San Francisco. The furnishings were most elaborate; one outstanding feature, widely commented upon, "was a very handsome coun-

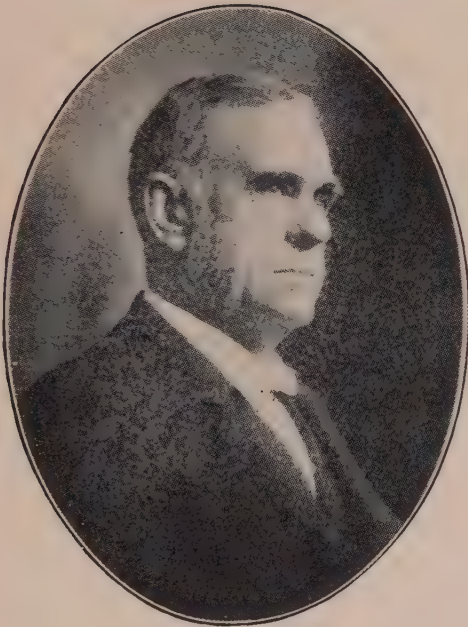
ter of natural cedar, a decided advance in decoration over the primitive bare or painted wood so common here." William Workman had been born in England in 1800, and had come to the United States when but a young lad. He later engaged in business in St. Louis, but went from there to Santa Fe, New Mexico, where for some time he was active as a trapper and trader. He arrived in Los Angeles in 1841, settled on the Puente Ranch, and soon became one of the largest and wealthiest land holders in Southern California.

F. P. F. Temple was a native of Massachusetts and had come to Los Angeles in 1841, associating himself in business with his brother John Temple, who at that time was a merchant in the small settlement. He subsequently engaged in stock raising on lands near Fort Tejon, which he developed into a very fine property. He sold out, however, upon his decision to engage in banking in Los Angeles with Hellman, Workman and Toberman. He was Workman's son-in-law. Neither Temple nor Workman had had any practical experience in the field of banking, and Temple had had but a limited contact with the business world. Workman, at the time the bank was organized, was a very old man and left its management entirely to his son-in-law in whom he had implicit confidence. Within a short time it became common gossip that almost anybody could borrow money from the Temple & Workman Bank without depositing adequate security, and as a consequence a number of most unsatisfactory loans were made by that house. In a few years, the firm had worked itself into an unsafe financial condition. One can not say just how long it might have survived under the circumstances had the Bank of California in San Francisco not collapsed in August, 1875, and forced the Los Angeles house to close its doors. We shall have more to do with that part of the story in later pages.

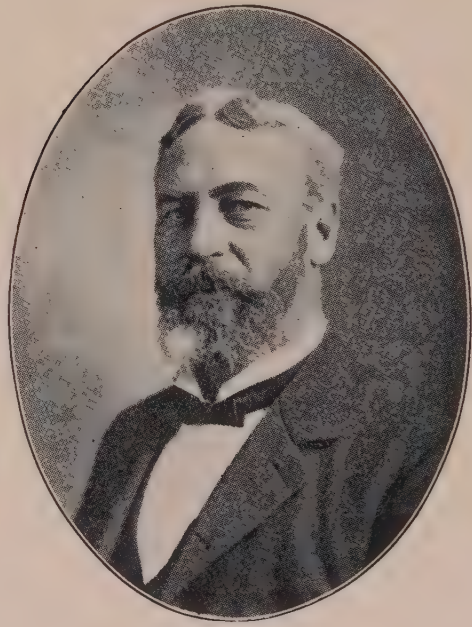
On May 20, 1874, the Los Angeles County Bank was organized by a group of San Francisco and Los Angeles capitalists for the purpose of providing a savings institution for the people of Los Angeles. Some of the San Francisco stockholders were Governor Booth, H. B. Tichenor, J. M. McDonald of the People's Bank, J. H. Booth, Irving M. Scott, Robert Gardner, who was the surveyor general of the State, Charles D. de Long, J. S. Slauson, William M. Lent, Daniel Meyer, Michael Reese, I. Steinhart, R. G. Sneath and Flint, Bixby & Co. It was stated that the entire



L. C. Goodwin



Jonathan S. Slauson



Russell J. Waters

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list of San Francisco stockholders represented an active capital of \$40,000,000. The bank was capitalized at \$250,000, fully paid in. J. S. Slauson of San Francisco went to Los Angeles for the purpose of establishing the bank and became its first president.

Slauson had been born in West Town, New York, December 11, 1829. He studied law and practiced for some years in New York City. Because of failing health, he journeyed West to Austin, Nevada, in 1864, where he opened a law office and became widely interested in mining. After spending four years in Austin, he moved to San Francisco, settling finally in Los Angeles in 1874. He sold out his interests in the bank to J. E. Plater in 1885, and thenceforth, until his death on December 28, 1905, busied himself with real estate and ranching activities. J. M. Elliott was the first cashier, and served in that capacity until 1879. In 1881, Elliott became associated with the First National Bank of Los Angeles, was made its cashier in 1885, and was later elevated to its presidency in 1892, which position he held for twenty-four years, before becoming the first chairman of its board of directors.

It is interesting to note that the first quarters of the Los Angeles County Bank were those which had just been vacated by the Farmers and Merchants Bank, "the County Bank's step in that direction being due, no doubt, to a benevolent desire to obtain some of its predecessor's business."⁸ At first the bank did both a commercial and a savings bank business, but subsequently confined itself solely to the former. Its capital stock was later reduced to \$100,000. It successfully weathered the bursting of the Los Angeles real estate boom of the later '80s, and on December 2, 1891, changed its title to the Bank of America with J. E. Plater, president, and G. H. Stewart, cashier, and with a capital stock of \$300,000. It voluntarily retired in 1893, as a consequence of the results of the panic of 1893, paying all claims in full.

It was in the early years of the '70s that the people of San Diego for an unusual reason, began to show an interest in the development of Los Angeles and vicinity. The Texas & Pacific Railroad was planning to extend its line to the Coast with San Diego as its terminus. It looked as if the latter city were des-

⁸ Newmark, *op. cit.*, p. 467.

tined to become the great shipping point for all of Southern California. A branch road was immediately projected between San Diego and Los Angeles so as to bring the trade of the latter to San Diego Bay. Unexpectedly, however, a bitter contest was started between the Texas & Pacific Railroad and the Southern Pacific Railroad for the control of that portion of the state. Both lines bid for the support of every city and section in the Southland. The Southern Pacific emerged victorious. But before the battle between these two roads had been concluded, the residents of San Diego had high hopes that regardless of its outcome, their city was bound to become the only important port of Southern California. Consequently, some of their financiers thought that it would be well for them to establish a bank in Los Angeles so as to be able to assist in financing and shipping the products of the latter district. With this in mind a number of San Diego capitalists on September 25, 1875, incorporated the Commercial Bank of Los Angeles with a capital stock of \$300,000, a little more than one-half of which was paid in. Most of the incorporators were actively engaged in the financial development of San Diego, only four being from Los Angeles.

The moving figure in the establishment of the Commercial Bank of Los Angeles was Hiram Maybury of San Jose, who was also the heaviest stockholder and an officer in the Commercial Bank of San Diego, which had been incorporated in October, 1872. Judge O. S. Witherby, later the president of the Consolidated National Bank of San Diego, and E. F. Spence, the first cashier of the Commercial Bank of San Diego, were also active in the organization of the Commercial Bank of Los Angeles. N. S. Patrick, formerly of Chicago, was president and served until his death in 1878. E. F. Spence was cashier. Spence had been born at Enniskillen, Ireland, December 22, 1832. He received his early schooling from a private tutor, and while a youth acquired a practical knowledge of business affairs by assisting his father. He emigrated to America, arriving in New York in 1852. He remained there but a short time, went to Philadelphia, and then journeyed West to California by way of Nicaragua, arriving in San Francisco in December, 1852. After working in the mines for a while, he settled in Nevada City, where he studied pharmacy, established himself in the drug store business, and during the seventeen years that he remained in that district, con-

trolled an extensive trade in the surrounding territory. In 1860, he was elected to the Legislature. He also served as treasurer of Nevada County. Later he moved to San Jose where he became a heavy stockholder in the San Jose Savings Bank. In 1872, he went to San Diego, where he assisted in the organization of the Commercial Bank of that city and was chosen its cashier. As noted above, Spence and his San Diego associates organized the Commercial Bank of Los Angeles with Spence as the first cashier. He remained in that capacity after it became the First National Bank in 1880. He succeeded J. E. Hollenbeck as president of the latter and continued in that office until his death on September 19, 1892. Spence was also active in a number of other banks in Southern California, either as a stockholder or as an officer. He was chairman of the organization meeting which brought about the formation of the California Bankers Association on March 11, 1891. He also served as a member of the City Council of Los Angeles, and in 1884, was chosen mayor of that city.

The rooms of the Commercial Bank of Los Angeles were located on Main Street between Commercial and Requena. On July 31, 1880, this bank became the First National Bank of Los Angeles, with a capital of \$100,000 and a reserve of \$50,000. From the very first it assumed a most prominent and outstanding position in the financial world in Southern California. J. E. Hollenbeck, who had succeeded Patrick as president of the Commercial Bank, was also the first president of the First National Bank. E. F. Spence followed him in the latter position and so remained until his death in 1892. J. M. Elliott, who had entered the service of the bank in 1881, and who had been chosen cashier to succeed Spence in 1885, succeeded the latter as president. He held that office until 1916, when he was made the first chairman of the board of directors. Stoddard Jess, who had been vice president, was then elevated to the presidency and served until his death in 1920. He was succeeded by the present executive, Henry M. Robinson. Stoddard Jess was born at Fox Lake, Wisconsin, December 3, 1856. He graduated from the University of Wisconsin in 1876, and then entered the employ of the First National Bank of Fox Lake. He later became cashier of his father's bank at Waupun, Wisconsin, and also served as mayor of that city. He was married in 1879. He arrived in Pasadena in 1885. He was one of the organizers of the First National Bank

of Pomona, and remained its cashier until 1898. Later, he became associated with the First National Bank of Los Angeles, and was elected its vice president in 1904 and its president in 1916. Mr. Jess was one of the most beloved bankers in California, and played a prominent part in the activities of state and national banking associations. He was a member of the Committee on Organization of the California Bankers Association. He served on many of the committees of that body and was chosen its president in 1911. He was twice a member of the Executive Committee of the American Bankers Association, and in 1918, was president of its Clearing House Section. During that year he was also president of the Los Angeles Clearing House Association. His passing in 1920 was universally mourned by the banking fraternity in California.

The Commercial Bank was first located on Main Street opposite Temple, but, as the First National Bank, it moved in 1901 to the corner of Spring and Second streets. It took over its present quarters at Seventh and Spring streets on February 23, 1913. In 1905, the First National Bank absorbed the Los Angeles National Bank and the Southwestern National Bank. In 1909, it obtained control of the Los Angeles Trust Company which, a few months later, changed its title to the Los Angeles Trust & Savings Bank, and on September 16, 1922, to the Pacific-Southwest Trust & Savings Bank. Since 1909, these two banking houses have operated under identical ownership and management. The Pacific-Southwest Trust & Savings Bank now controls one of the largest branch banking systems in California with ninety-five branches, confined, however, to the southern and southwestern portions of the state. The stockholders of these two prominent financial houses also control the First Securities Company, an investment banking house with a capital of \$600,000, the Bankers Equipment Company, and the Los Angeles Trust & Safe Deposit Company. Further details concerning all three of these institutions will appear in subsequent chapters.

To return to the narrative relative to the development of banking houses in Los Angeles.

The shock to the financial structure of California caused by the enforced closing of the Bank of California in San Francisco on August 26, 1875, had a most disastrous effect upon the banking situation in Los Angeles. On August 27, there was a slight

run on the two commercial banks of the city. Over \$125,000 was withdrawn by the excited depositors. That evening (Friday) the directors and managers of the three banks met and decided to remain closed over the week end. On Monday, the Los Angeles County Bank re-opened, being able to fall back upon its right to require notice from depositors before allowing them to withdraw their accounts. The two remaining banks, however, were not so fortunate. I. W. Hellman was in Europe at the time, and had left the Farmers & Merchants Bank in charge of J. G. Downey. Downey lacked the cool judgment and the farsightedness of Hellman. Ill-advisedly he entered into an agreement with the Temple & Workman Bank to close the doors of both institutions as a precautionary measure. Practically all of the banking business in Los Angeles was controlled by these two houses. Their suspension, instead of helping to make the situation better, only "made bad matters worse. It spread such a feeling of distrust in the community that depositors were wild for their money, and by their actions added fuel to the flame of agitation."

It has been said of Hellman that "he avoided all speculative and visionary schemes. He conducted all of his banks in such a manner as to be ready for any emergency. He was always prepared for the evil day." One of the fundamental principles of banking, which he always followed, was that the funds of a bank should be so protected that when money was needed it should always be on hand. Ordinarily the Farmers & Merchants Bank would have been amply able to have stood almost any sort of a run and to have paid its depositors all that might have been demanded. But Downey was not the banker that Hellman was. By his mismanagement he had seriously impaired the financial condition of the bank. He went to San Francisco and through his brothers-in-law, Peter Donahue and Edward Martin, borrowed about \$200,000 at the excessive rate of $1\frac{1}{4}$ to $1\frac{3}{4}$ per cent per month. Realizing the condition of his own institution, he readily assented to the proposal that the two banks close their doors. "But, at about that time, Hellman had gotten to New York and was advised by the assistant cashier of what was going on. Through powerful friends he arranged with Haas Brothers of San Francisco, who were interested in Hellman, Haas & Company in Los Angeles, to pay every dollar of the deposits of the Farmers &

Merchants Bank if necessary, and he had the assistant cashier put up a large sign when the bank was closed, advising the public that all checks on the bank would be paid at Hellman, Haas & Company, and that deposits could be made there, and this was also announced in the newspapers. Enough of the officials of the bank went to Hellman, Haas & Company and transacted all the business. While the Farmers & Merchants closed its doors in 1875, it did not suspend payment, but every check presented was paid, and a singular thing resulted. When the bank opened its doors, more money had been deposited in it, at Hellman, Haas & Company, than had been withdrawn. Hellman reached San Francisco; out of his own means paid off the sums that Downey had borrowed at ruinous rates; hastened to Los Angeles, and immediately put the bank in order," ousting Downey from the presidency, and re-opening the doors of the bank.

Temple went to San Francisco and attempted to raise funds with which to bolster up the weakened finances of his institution. No one, however, would come to his assistance. E. J. ("Lucky") Baldwin, then known as the largest source of individual ready money in Southern California, was appealed to as the one man who might assist the bank in its difficulties. He was willing to advance \$210,000 provided Workman and Temple gave him a blanket mortgage on all of their real estate holdings and also provided their intimate friend, J. M. Sanchez, would also include in the mortgage a splendid tract of 2,200 acres of the finest lands lying near the Mission San Gabriel. Sanchez, having faith in Temple and Workman, who were rated as the two richest men in the district, agreed to do so. The Temple & Workman Bank re-opened on December 6. The Los Angeles *Daily Star* of December 7, 1875, stated that it "was one of the most interesting, as well as auspicious events, that has ever occurred in California; and, with one exception—the re-opening of the Bank of California—has no parallel on record." It referred to Temple as "the Ralston of Los Angeles," and declared that "Mr. Temple had been so noble, so human, so open handed and open hearted, so true to the wants of the people, that he was left, so to speak, without coin to meet a 'run'. At the same time his famous honesty of purpose, his admitted great wealth and the securities in his possession gave his depositors the confidence they have so harmoniously maintained through the past three months; and

which is unprecedented in the annals of the trust one man has for another." On the first day, \$20,000 was withdrawn and \$90,000 deposited. About forty of Temple's friends gave a banquet in his honor at the Pico House, at which "the finest supper ever given in Los Angeles" was served. Within a few weeks, however, the bank's funds were exhausted, and on January 12, it was again forced to close. Only a small crowd gathered around the bank's doors. During the day there were no signs of excitement among the depositors, it being expected that Baldwin would advance an additional \$100,000, with which to assist the bank over its second crisis. But in this, however, they were disappointed, and the bank was compelled to keep its doors closed. The *Los Angeles Daily Herald* of January 14, 1876, optimistically stated that the failure of the bank would "not seriously affect financial affairs in this vicinity. * * * There is an abundance of money to be had on satisfactory terms and no financial stringency need be apprehended." For the purpose of protecting the interests of the creditors of the bank an assignment was made to Messrs. Spence and Freeman who, after an investigation, announced that the bank had \$2,251,796.98 assets and \$1,162,810.31 liabilities. The *Los Angeles Daily Herald* of January 27, 1876, in no uncertain terms, however, condemned the methods that had been followed in conducting the affairs of the bank. It declared that, "Perhaps the history of banking will not show a parallel case of mismanagement, of total disregard of all possible precautions." Temple had done more toward developing the resources and advancing the prosperity of Los Angeles city and county than any other person. He had used his wealth to establish many new industries and to forward the interests of a number of new enterprises. He had spent thousands of dollars in developing the gold mines of Catalina Island, in carrying out the Cerro Gordo Water Works System, in carving the granite bed of the San Jacinto wagon road, in building the San Emida sawmills, and in erecting the flouring mill near the San Sabine River, besides building dozens of houses in the City of Los Angeles itself. Sincere regret over his misfortune was expressed by business associates and friends.

The affairs of the insolvent institution finally got into the courts. Suits and counter suits followed in quick succession with the result that the depositors of the bank never received a cent

from their accounts. As indicative of the character of the security, which the bank took from those to whom it loaned its funds, was an order of the court that \$300,000 of the "assets" of the bank should be sold for the paltry sum of \$30. While the bank was being liquidated, its quarters were entered by burglars in February, 1878, and about \$10,000 taken. The bookkeepers of the assignees were guilty of the crime and buried the stolen money on a hilltop near the city. It was subsequently recovered, and the culprits sentenced to prison.

Baldwin did not press for payment, but waited until his mortgage was nearly outlawed and then assigned it to Camillo Martin, who foreclosed it in the Federal courts. Baldwin bid in the property to satisfy his claims. Workman, Temple and Sanchez were deprived of their estates. Sanchez died penniless. When Workman, who had probably not stepped inside the bank more than half a dozen times during its existence, found himself deprived of the old home ranch at Puente, he committed suicide on May 17, 1876, and was buried near the little chapel at La Puente beside his early comrade and lifelong friend, John Rowland. Temple eked out a miserable existence for a time and died broken-hearted in April, 1877, at the Merced Ranch, a property belonging to his wife. His remains were interred in the family burying ground at La Puente. Baldwin, after an adventurous career, died in 1909, leaving an estate valued at about \$20,000,000.

The failure of the Temple & Workman Bank seriously affected the business life of the community. Los Angeles was then a city of about 7,000 inhabitants, and the insolvent institution controlled about one-half of the banking resources of the district. All of its depositors were severely crippled, while some were completely ruined. The "loss of confidence entailed upon the community was such that business in all its departments was carried on in so conservative a way that expansion and progress were out of the question for several years." Real estate values depreciated greatly; specie disappeared from circulation; and the economic life of the district was at a low ebb. From 1876 to 1880, Los Angeles was at a standstill.

Although speculation in stocks of various kinds had to a great extent characterized the financial life of San Francisco during the '60s and '70s, Los Angeles was to a surprising degree free from such activity until during the later years of the '70s. It is



STODDARD JESS
First National Bank, Los Angeles



JOTHAM BIXBY
Bank of Long Beach



W. A. BONYNGE
Commercial National Trust and
Savings Bank, Los Angeles

not possible to state definitely what firm it was that first opened as a stock and bond house in Los Angeles, but in the *Daily Herald* of that city on October 19, 1875, a notice appeared to the following effect:

“Mr. E. R. Hickman, of No. 79½ Downey block, has opened a branch of S. McKee & Co., of San Francisco, dealers in ‘puts’ and ‘calls’ in the stock market. Mr. H. is ready to explain the modus operandi of the dealing in these ventures to all who may favor him with a call.”

The fact that stock and bond transactions were a new feature in the local financial realm is evidenced by the following news item published by the same paper on January 13, 1876:

“Los Angeles is no longer wanting in the metropolitan feature of a firm of stock brokers. Messrs. Elliott & Ward, already well known and deservedly popular in business circles, propose to embark in a general brokerage business, dealing in mining, railroad, bank and other stocks. By a special arrangement which the firm has effected in San Francisco they will issue stock certificates from their date, and all orders will be made by telegraph. We wish the gentlemen every success in their new undertaking, and feel confident that their well established reputation for square dealing will secure them the extensive patronage of our citizens.”

With the passing of time other stock and bond houses were established but it appears that these two firms were among the first, if not the first, to enter the local field. Many years were to elapse, however, before Los Angeles established its first stock and bond exchange, which it did in 1896.

In 1880, Los Angeles was “still clinging to many of her old customs and methods of doing business. The streets were unpaved and in the rainy season almost impassable; the sidewalks were of boards or gravel. The street cars were still propelled by horses or mules, car fare ten cents a ride. There was no free mail delivery. The retail stores kept open from seven in the morning to ten at night and to twelve on Saturday night. * * * The business streets were lighted with gas but the greater part of the residence portion was shrouded in darkness. The telephone was unknown and electricity was unused for light or power. All transcontinental railroad traffic or travel came via San Francisco.” But the citizens of the community were not discouraged. In fact, far from it. The local newspapers vied with each other

in telling the people of the United States about the wonderful resources and climate of Southern California. The Southern Pacific Railway also assisted materially in spreading information among the eastern communities. Gradually, this advertising began to bear fruit, and by 1883 the tide of immigration had begun to swing towards Los Angeles. The results to be derived from the completion of the Santa Fe Railroad were vigorously capitalized and naturally assisted in attracting additional settlers. A period of revival was at hand.

Some of the newcomers were capitalists with considerable means at their disposal, and in time actively participated in the organization of new banking houses. The first of these institutions was the Los Angeles National Bank, incorporated in June, 1883, with a capital of \$100,000, which was increased three years later to \$300,000, and in 1888 to \$500,000. Major George H. Bonebrake was its organizer and first president. James Bryson, intimately associated with him in a number of other financial ventures, was the first vice president, and F. C. Howes, the first cashier. Major Bonebrake was for a number of years, one of the most outstanding figures in banking circles in Southern California. He had been born near Eaton, Ohio, June 9, 1838. He had participated in the Civil War as a captain of one of the Northern regiments, and arrived in Los Angeles in October, 1878. In addition to organizing the Los Angeles National Bank, he was the moving spirit in the establishment of the First National Bank of Pasadena, the First National Bank of Pomona, the First National Bank of Riverside, the First National Bank of Santa Ana, the First National Bank of Santa Monica, the Savings Bank of Southern California at Los Angeles, the State Loan & Trust Company of Los Angeles, the Broadway Bank of Los Angeles, and the Bank of Santa Paula. He was also the first president of the California Central Railroad running from Los Angeles to San Bernardino, and of the Surf Railroad running from Los Angeles to San Diego. During the '80s and early '90s, he was undoubtedly the largest individual bank stockholder in that section of the state. He died, October 30, 1898. The Los Angeles National Bank was purchased by the First National Bank of that city in 1905.

The second bank to be organized as a consequence of the improvement in economic conditions in the Southland was the Los

Angeles Savings Bank, which was incorporated April 8, 1884, with a capitalization of \$100,000, one-fourth of which was paid in. This was a Hellman institution and was the first *bona fide* incorporated savings bank established south of Santa Cruz. It is said that I. W. Hellman appreciated the necessity for such a bank inasmuch as none of the four banks then in existence devoted itself exclusively to that phase of the business. L. C. Goodwin, associated with Hellman in the Farmers & Merchants Bank, was the first president, and J. V. Wachtel, the first secretary. The directors were I. W. Hellman, John E. Plater, L. C. Goodwin, R. S. Baker, and John A. Paxton. It may be recalled that Paxton had earlier been associated with Mark Brumagim, Peter Decker and John H. Jewett in pioneer banking operations in Marysville. The Los Angeles Savings Bank was purchased by the Security Savings Bank in 1904.

It was not until 1885 that the local situation began to take on all the characteristics of a real estate boom, and from that date until the fall of 1887, it is doubtful whether any city or district ever experienced a boom such as that which occurred in the southwestern part of the state, especially in and near Los Angeles and San Diego. It is difficult to fix the exact date of its origin, but many writers have placed it as of November, 1885, during which month the Santa Fe completed its line from Chicago to Colton and San Diego. Almost immediately a rate war ensued between the Santa Fe and the Southern Pacific railroads, which, to a very great extent, induced immigration to flow into the southern part of the state. Many land booms have resulted in only a temporary increase in the population of a city or district, but in this particular case there "is not to be found in the industrial history of the whole nation a more remarkable example of sudden and permanent growth in population and advance in material development that occurred in Los Angeles and the surrounding country through the years 1885-88."

Space cannot be given to an adequate discussion of the excesses committed by the real estate dealers during that period. We are interested only in the nature of the boom and in its effects upon the financial development of the southern part of the state. In a wonderfully short time, the small frontier town of Los Angeles was made over into a flourishing modern city with all the characteristics that accompany such a transformation. With the coming

of the Santa Fe Railroad, dozens of town sites were laid out for miles and miles around Los Angeles. Enough subdivisions were placed on the market to accommodate at least ten million people and enough syndicates were created "to handle the affairs of a nation." For a distance of thirty-six miles along the line of the railroad, twenty-five towns were platted and placed on the market, one to each mile and a half of railroad. City boundary lines adjoined or overlapped each other in the San Gabriel Valley. Seemingly, the more inaccessible these town sites were, the more eagerly they were purchased by prospective settlers. "Manchester and Border City, laid out on paper by an understanding person named Homberg, and situated on the perpendicular slopes of Sierra Madre overlooking the ineffable aridities of the Mojave desert, went off like hot cakes. At any rate, Homberg made \$50,000 out of 4,000 lots he sold in those two cities alone. Twenty-three hundred lots were sold in Chicago Park where no person, before or since, has ever been able to find them, because Chicago Park, nestling in the wash of the San Gabriel Valley, is paved with rocks so rugged and so hot withal that they are reputed to have burnt the corner stakes. Santiago was mapped out in the center of a desert especially its own wherein, it was said, the very coyotes had to carry canteens or perish while crossing it. Two thousand lots were sold in Santiago." Every conceivable device, tried and untried, was employed to sell real estate to the newcomers. The census of 1880 gave Los Angeles a population of 11,183, and the southern counties, 64,371. When the boom was at its height, Los Angeles, so it was estimated, had approximately 80,000 inhabitants, and the southern counties, about 250,000. It was further estimated that at least 200,000 people arrived in Los Angeles during 1885-88 and spent some time in the southern part of the state. Not more than a fourth of this number became permanent residents of Los Angeles, although a much larger number took up their abode in Southern California. As the boom progressed, the prices of real estate rose to dizzy heights. "A wild enthusiasm and a panic of speculation broke over the county, and for a brief period the most reckless excesses were committed." In January, 1886, real estate transactions in Los Angeles County aggregated more than \$1,000,000; in May, \$2,000,000; in July, \$2,000,900, and in November, \$4,000,500. In January, 1887, these figures had increased to \$5,000,000; in

May to \$8,000,000; and during each of the months of June, July and August, to more than \$10,000,000. In July, 1887, at the height of the excitement, realty transfers aggregated \$11,930,354. As the months passed, the enthusiasm began to wane, and in December of that year the sales had dropped off to \$5,500,000. It has been estimated that if the unrecorded sales were included with the recorded, the results would show that real estate transactions during 1887 approximated \$200,000,000.

Early in 1888, a slight revival occurred, and in February, the sales rose to \$7,500,000. By July, however, they had decreased to \$4,700,000, and during November to \$3,400,000. The boom had burst, and thousands of citizens, who had rated themselves as millionaires, now found themselves possessed of quantities of unsalable property. As one author states the case, "When it is remembered that the collapse of the South Sea Bubble involved losses aggregating only about \$75,000,000, and that John Law's Mississippi Grants Bubble cost his French victims only a paltry \$15,000,000, it will be realized that the Southern California land boom of the later eighties was the biggest thing of its kind accomplished by human financiers up to that date." During 1888 and 1889, approximately a thousand persons per month left Los Angeles. When the census of 1890 was taken it was shown, however, that the city had a population of 50,395, or that it had increased approximately a little less than five times in the short space of ten years. A decade later, however, the census disclosed 102,479 inhabitants, a little less than a ten fold increase during the twenty-year period, 1880-1900. With the bursting of the boom, there necessarily arose a noticeable reaction in trade and industry. Countless houses were vacant; unemployment existed on all sides; railroads ran empty cars; numerous small failures occurred; and hotels were closed. But, strangely enough, there were no serious bankruptcies of large firms such as usually attend the bursting of a boom. In this regard, at least, the city was especially fortunate.

In July, 1885, the banks of Los Angeles had held approximately \$3,500,000 in deposits. During the period of inflation, they had carried increased deposits, \$5,500,000 in July, 1886, \$8,000,000 in January, 1887, and approximately \$12,500,000 in December, 1887. At the height of the boom, I. W. Hellman announced in the local newspapers that his bank would make no more

loans on real estate. Other banks followed as he led. Loans were refused by them on real estate unless it was located in the older, more settled portions of the city, and then only on its pre-boom value. Consequently, when the wave of wild speculation receded, the banks suffered no serious consequences. None was closed, not even temporarily. During the eighteen months following the bursting of the bubble, bank deposits decreased over \$3,000,000 and bank loans fell off about \$500,000, but bank capital and reserves increased considerably over \$1,000,000. So far as is known this is the only instance in the history of wild real estate booms where banks and business houses have not been carried down to destruction in the general crash that usually climaxes such speculative excesses. In passing it may not be out of place to mention the fact that again, following the remarkable boom growth which Los Angeles experienced at the close of the World War, it was the bankers of that city who were sufficiently farsighted and progressive to apply the brakes and thus minimize the seriousness of the losses that always ensue when a community passes through a period of unrestrained speculative development.

Just as the boom was really getting under way, Major Bonebrake, Bryson, Spence and associates felt that the time was propitious for the incorporation of another savings bank in Los Angeles, and consequently organized the Savings Bank of Southern California, chartered January 2, 1885, with a capital of \$100,000, one-fifth of which was paid in. E. F. Spence was president, John Bryson, vice president, and J. N. Hunt, cashier. In 1899, its title was changed to the Southern California Savings Bank. In 1907, it was purchased by the Security Savings Bank.

In 1886, three other banks were organized. The Southern California National Bank was chartered on August 21, with a paid-up capital of \$200,000. J. I. Redick was president, and W. F. Bosbyshell, cashier. In 1895, it changed its title and became the Merchants National Bank. On May 26, 1917, it absorbed the National Bank of California, which had been chartered in 1889. In the fall of 1926, it was merged with the Hellman Commercial Trust & Savings Bank of Los Angeles and its thirty or more branches, the resulting institution being known as the Merchants National Trust & Saving Bank.

On July 7, 1886, A. D. Childress opened a private banking house under the title of the Childress Safe Deposit Bank. It

was incorporated July 18, 1889, as the City Bank with a capital of \$300,000, one-third of which was paid in. A. D. Childress was president, and J. S. Park, cashier. It failed during the panic of 1893. The East Side Bank was chartered November 6, 1886, with a capital of \$50,000, only one-fifth of which was paid in. W. Vickery was president, and U. Embody, cashier. In 1899, it changed its title to the Bank of Commerce. In 1903, it was merged with the American National Bank which, in its turn, was purchased by the Citizens National Bank of Los Angeles on September 1, 1909.

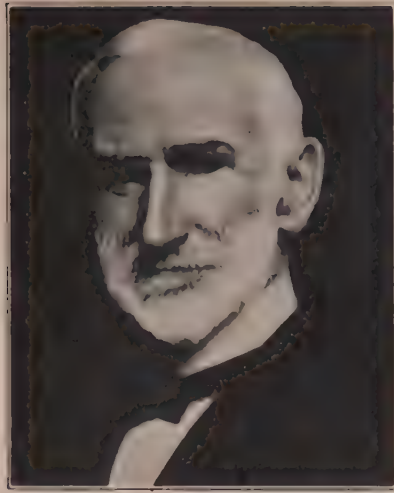
While the boom was at its height, Judge R. M. Widney, a man who had in many ways been most prominent in the development of Los Angeles, together with certain other local capitalists, organized the University Bank. It was chartered on March 23, 1887, and had a paid-up capital of \$100,000. Judge Widney was president, and G. Sinsabaugh, cashier. This bank voluntarily liquidated in 1893, paying all claims in full. Another bank, the California Bank, was established during 1887. It was chartered on August 7, with a capital of \$500,000, \$300,000 of which was paid in. H. C. Witmer, J. M. Witmer and H. G. Newhall were the moving figures in this venture. Newhall was the first president, and was later succeeded by H. C. Witmer. This bank was more successful than the University Bank, for it survived both the bursting of the real estate boom and the panic of 1893. In 1903, it was nationalized as the American National Bank, with W. F. Botsford, president, and T. W. Phelps, cashier, and absorbed the Bank of Commerce, which had been chartered in 1886 as the East Side Bank. On September 1, 1909, it was purchased by the Citizens National Bank of Los Angeles. There was no connection between this early "California Bank" and the one now bearing that title, which at present is one of the prominent financial houses in the Los Angeles district. The story of the latter will be presented in a subsequent chapter.

In the fall of 1887, Los Angeles had eleven banks, two of which were savings banks, five were commercial banks with state charters, one was a private bank and three were national banks. The list was as follows: Los Angeles Savings Bank, Savings Bank of Southern California, Farmers & Merchants Bank, Los Angeles County Bank, University Bank, East Side Bank, California Bank, Childress Safe Deposit Bank, First National Bank, Los Angeles

National Bank, and the Southern California National Bank. With such a goodly number of banks in the growing metropolis it was deemed advisable to establish a clearing house, which was finally accomplished September 17, 1887. The following banks took part in its organization: Farmers & Merchants Bank, Los Angeles County Bank, University Bank, Childress Safe Deposit Bank, First National Bank, Southern California National Bank, and the Los Angeles National Bank. I. W. Hellman was president, George H. Bonebrake, vice president, and J. M. Elliott, secretary-manager. At the close of the first year of operations, the clearings aggregated \$36,050,980.94, a mere trifle compared to the clearings of later years. In 1926, total clearings amounted to \$8,917,424,000. Nevertheless, a start had been made, and the bankers of Los Angeles had come together in a coöperative association which, as the years passed, has exerted a powerful influence for the best interests of the community. A much more detailed story of its growth and activities will be presented in a later chapter devoted to "Clearing Houses."

During the year following the collapse of the real estate boom, no banks were chartered in Los Angeles. The eleven banks that were in operation July 1, 1888, had an aggregate capital stock of \$14,294,440. At that date, the eight banks in the Los Angeles Clearing House held total deposits of \$10,246,639.80. In the county, outside of the City of Los Angeles, there were five national banks, eight state banks and two private banks, with an aggregate capital of \$3,114,092.

The courage and progressive spirit of the people of Los Angeles could not long remain dampened. Its citizens had faith in the future, and consequently began to look forward to more prosperous days and to plan accordingly. The result was that during the closing year of the decade, four new banks were established, but only one, the Security Savings Bank & Trust Company, now known as the Security Trust & Savings Bank, has come down to the present day without being absorbed by some other banking house. The Security Savings Bank & Trust Company was chartered on January 11, 1889, with F. N. Meyers, president, and J. F. Sartori, cashier. It was capitalized at \$200,000, about one-seventh of which was paid up. It is interesting to note that a number of the local capitalists who were also connected with the Farmers & Merchants Bank assisted in its founding. I. W. Hellman, J. A.



I. N. VAN NUYS



INTERIOR, FIRST QUARTERS OF THE SECURITY SAVINGS BANK AND
TRUST COMPANY, LOS ANGELES

Graves, H. W. Hellman, O. W. Childs and others were among its stockholders, and during the early years also served on its board of directors. J. F. Sartori was the guiding genius in the bank's organization, succeeding to its presidency in 1895. The bank began in a little store room on North Main Street. The city at that time had a population of about 48,000. On January 14, 1896, the bank's title was changed to the Security Savings Bank. On January 8, 1912, it created a trust department and six days later changed its title to the Security Trust & Savings Bank. On January 11, 1904, it absorbed the Main Street Savings Bank. Three years later, May 16, 1907, it obtained a controlling interest in the Southern California Savings Bank, finally absorbing it on December 10, 1907. On January 15, 1912, it successfully completed a merger with the Equitable Savings Bank, and a month later, February 28, 1912, it also absorbed the Southern Trust Company. It was one of the first banks to establish an Employees Savings and Pension Fund, which it did on March 31, 1916. On November 12, 1919, it absorbed the Hollywood National Bank and the latter's affiliated institution, the Citizens Savings Bank of Hollywood. In order to derive certain advantages from the operation of a national bank, the stock of the Central National Bank was purchased by a board of trustees consisting of five of the senior officers of the Security Trust & Savings Bank. On September 1, 1913, the name of the Central National Bank was changed to the Security National Bank. At that time J. F. Sartori was president of the latter and J. B. Gist, cashier. On May 15, 1920, the Security Trust & Savings Bank absorbed the Security National Bank. On January 1, 1921, it established one of the first departments of Research and Statistics in the state. It has purchased other banks in the vicinity of Los Angeles, retaining them as branches, and has also established various branches in the City of Los Angeles itself. On June 30, 1926, it had thirty branches, a capital stock of \$10,200,000, surplus of \$3,000,000, and total assets of \$247,456,319.33, making it the largest bank with headquarters in Southern California, and third among the banks of the state.

The second bank to be opened in Los Angeles during 1889 was another institution founded by Major Bonebrake. It will be recalled that he had organized the Los Angeles National Bank in 1883, and the Savings Bank of Southern California in 1885.

Undoubtedly, deeming it advisable to have another state chartered institution under his direction, he and his associates established the State Loan & Trust Company. It was chartered on January 28, with a capital of \$1,000,000, about one-fifth of which was paid in. George H. Bonebrake was president, E. F. Spence and John Bryson were vice presidents, and S. B. Hunt was secretary. In 1899, it changed its title to the State Bank & Trust Company, and in 1908, was absorbed by the Central Trust Company. During the latter year, the Central Trust Company was merged with the Dollar Savings Bank & Trust Company to form the Park Bank, which in turn was purchased by the Bank of Italy of San Francisco on May 1, 1913.

The third bank to be chartered during this year was the National Bank of California, incorporated September 2, 1889, with J. M. C. Marble, president, and W. G. Hughes, cashier. It had a paid-up capital stock of \$250,000. It operated successfully until May 26, 1917, when it was purchased by the Merchants National Bank. Another of the many Los Angeles banks in which I. W. Hellman was financially interested was the Main Street Savings Bank & Trust Company chartered October 28, 1889, with a capital of \$200,000, about one-fourth of which was paid in. J. B. Lankershim was the first president, and P. W. DeVan was the first cashier. I. W. Hellman was one of the directors. It is interesting to note that J. V. Wachtel, who had been cashier of Hellman's Los Angeles Savings Bank, was later the cashier of the Main Street Savings Bank & Trust Company. T. L. Duque, who was the second president of the Security Savings Bank & Trust Company, subsequently became president of this bank. Lankershim was also a director of the Farmers & Merchants Bank and of the Los Angeles Savings Bank. The bank was located directly opposite the post office and was incorporated as the Post Office Savings Bank & Trust Company, but the Federal authorities objected to the title chosen by its founders, and the name was changed to the Main Street Savings Bank & Trust Company. Some time during 1896-97 it changed its title to the Main Street Savings Bank. On January 11, 1904, it was purchased by the Security Savings Bank.

On January 1, 1890, the State bank commissioners reported four savings banks, seven state chartered commercial banks, four national banks, and no private banks, operating in Los Angeles.

The four savings banks controlled a total paid-up capital of \$164,350, deposits of \$889,969, and resources of \$1,107,610; the seven state chartered commercial banks had a total paid-up capital of \$1,450,000, deposits of \$4,791,611, and resources of \$7,419,128; and the four national banks had a paid-up capital of \$1,150,000, deposits of \$3,386,923, and resources of \$5,343,672. The aggregate figures for the fifteen banks were as follows: paid-up capital, \$2,764,350; deposits, \$9,068,503; and resources, \$13,870,410.

During the period covered by this chapter, i. e., down to 1890, eighteen banks had been organized and opened for business in Los Angeles. In all of those years only one bank failure had occurred, i. e., that of the Temple & Workman Bank, and that marvelous record had been made in spite of the excessive speculative activities of the boom period. When one attempts to explain how such a sound condition could have been maintained among the financial houses of those days, he is compelled to acknowledge that it was due primarily to the far-sighted, conservative, yet progressive, ideals and influence of the local bankers.

Los Angeles, however, had apparently overreached itself in the establishment of banking houses during the '80s. Their number was more than sufficient to care for the needs of the people of that community. During the next ten years, 1890-1899, the local financiers appeared to be more or less content to allow the population and the financial needs of the district to catch up with the banking accommodations that had been provided. Only five new banks were organized in the closing decade of the twentieth century, and all of them were brought into existence before the panic of 1893, which took such a heavy toll among the Los Angeles banking institutions. The Broadway Bank was opened some time during the spring of 1890. It was a private banking partnership organized by Major G. H. Bonebrake, H. Sinsabaugh, and G. Sinsabaugh. It was incorporated as the Broadway Bank on February 2, 1891. Some time during 1898-99 it changed its title to the Broadway Bank & Trust Company and on July 1, 1911, was sold to the Citizens Trust & Savings Bank. The German-American Savings Bank was incorporated August 21, 1890, with E. N. McDonald, president, and M. N. Avery, cashier. On July 1, 1912, it became the German-American Trust & Savings Bank, and on April 23, 1917, it again changed its title, becoming

the Guaranty Trust & Savings Bank. On December 3, 1921, it was merged with the Security Trust & Savings Bank. The Citizens Bank was chartered October 6, 1890, with T. S. C. Lowe, president, and T. W. Brotherton, cashier. In 1901, it was nationalized as the Citizens' National Bank. The Columbia Savings Bank was incorporated August 5, 1892, with T. D. Stevenson, president, and L. W. Thomas, cashier. It was merged with the Union Bank of Savings in 1900, which had been chartered January 27, 1893, with M. W. Stimson, president, and W. E. McVay, cashier. The latter bank was merged with the German-American Savings Bank in 1906. The detailed story of these five banking houses will be presented in later chapters.

CHAPTER XIII

BANKING IN SAN DIEGO PRIOR TO 1890

The first settlement of the Mission Fathers in California was made on San Diego Bay in July, 1769. The history of San Diego has many interesting high lights, but again we must confine our story solely to those things which are intimately concerned with financial institutions of the community. The activities and life of the early San Diegans at first centered about what is now called "Old Town," located beside the Mission, about three miles west of the present city. From the earliest days down into the '70s of the nineteenth century, its people were concerned primarily with cattle raising and with the shipment of tallow and hides.

About 1860, an unsuccessful attempt was made to open up the present site of the city. In 1867, however, A. E. Horton, "Father Horton" as he was affectionately called in later years, bought 160 acres of land at 26 cents an acre, and laid out the beginnings of San Diego as we know it today. The town developed slowly because of lack of rail connections with the outside world and because there was no really satisfactory hinterland. As early as 1854, some venturesome spirits had made plans to run a railroad to San Diego Bay, but nothing ever came of that project. Shortly after Horton had opened up his plat of a new city it was rumored that the Memphis & El Paso Railroad would locate its terminus at San Diego. As a result of the glorious future prophesied for the city when it should be tapped by a railroad, San Diego experienced its first real estate boom. Immigrants flocked into the community from the north, railroad meetings were held, lots were sold in great numbers, and the town grew from a little sleepy tallow and hide center to a bustling burg of about 1,200 to 1,500 inhabitants. But the railroad was not built and the bubble burst.

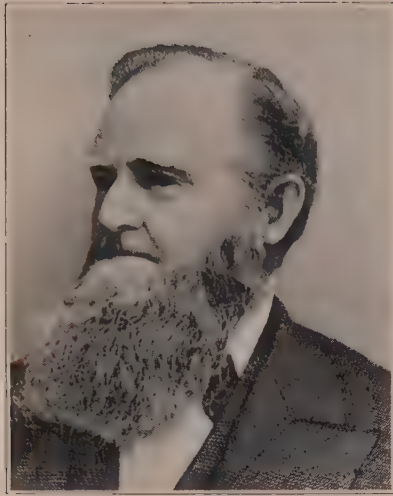
The town then drifted aimlessly until 1871, when the Texas & Pacific Railroad was organized, and the hope that San Diego would be connected with the outside world by means of a railroad again buoyed up those who had faith in the future of their city.

At this time, however, the little town already possessed a banking house, the Bank of San Diego. It had been chartered, May 27, 1870, with A. E. Horton, president, and Bryant Howard, cashier. Horton was later succeeded by T. L. Nesmith, who remained president until the bank was merged with the Commercial Bank of San Diego in 1879. Nesmith had been born in Derry, New Hampshire, in 1811, had clerked in a store, and had been a merchant in Massachusetts. Later, he had been a banker in Minnesota, and had come to San Diego in 1870. The bank had an authorized capital of \$200,000, but only \$63,000 was paid in.

The promise of railroad connections with the outside world having been made, it appeared to the citizens of San Diego that its future was actually assured. An enthusiastic meeting was held in the city, and a large bounty was voted the Texas & Pacific Railroad Company with the understanding that San Diego would be made its western terminus. New settlers poured into the town in large numbers. During this period, known as the "Tom Scott" boom, another bank, the Commercial Bank of San Diego, was organized. It was chartered in October, 1872, but did not begin operations until March, 1873. It was capitalized at \$200,000, but only \$75,000 was paid in. The first officers were Capt. A. H. Wilcox, president, and E. F. Spence, cashier. Spence later went to Los Angeles, where he became a prominent factor in promoting the financial interests of that city. Ten miles of the railroad were graded, and then construction work ceased. San Diego's second boom had burst, and once more the little town had great difficulty in keeping alive.

San Diego could not support two banks, and consequently both were merged as the Consolidated Bank of San Diego, chartered October 6, 1879, with a capital of \$200,000, only one-tenth of which was paid in. Bryant Howard was president, and J. A. Fairchild, cashier. A few months later, Judge O. S. Witherby was chosen president, and Bryant Howard was made cashier. On September 22, 1883, it became the Consolidated National Bank, with the same officers, and with a capitalization of \$100,000.

Judge O. S. Witherby had come to San Diego in 1849 with the Boundary Line Commission, and remained a citizen of that place until his death. He had been born in Cincinnati, Ohio, February 19, 1815, and had graduated from Miami University. He later practiced law, fought in the Mexican War, served as the



A. E. HORTON
Pioneer Banker of San Diego



HORTON'S BANK BUILDING
Home of First Bank of San Diego

representative of San Diego County in the first State Legislature, was elected the first judge of the Southern District, and was later appointed collector of customs by President Pierce. He farmed for about ten years at Escondido, but returned to San Diego in 1868, always thereafter being intimately associated with the development of that city.

The Consolidated National Bank felt the need of a savings bank to care for the requirements of its customers, and as a consequence its stockholders on May 12, 1886, incorporated the Savings Bank of San Diego County, with a capital of \$100,000, only one-tenth of which was paid in. James M. Pierce was president, and John Ginty, cashier. These two banks had quarters in the same building. Both survived the bursting of the real estate boom, but were forced to close on June 21, 1893, as a result of the banking panic of that year. The depositors of the Savings Bank of San Diego were subsequently paid in full, but those of the Consolidated National Bank suffered a loss of 25 per cent of their claims. The Pacific Loan & Trust Company, an affiliated institution, also failed at the same time.

When it became definitely known that the Santa Fe Railroad was actually going to tap both the Los Angeles and the San Diego districts, the enthusiasm of the citizens of both places knew no bounds. At last San Diego was to be connected by rail with the outside world. A third real estate boom began, and, as usual, ran its course in a few years. As the early waves of new settlers swept into San Diego, plans were made to care for their every need. New subdivisions were platted and placed on the market, store buildings were erected and banks established, naturally in excess of the needs of the population.

The first bank to be incorporated as a result of the optimism of the people was the Bank of Southern California, chartered on June 16, 1883, with Jacob Gruendike, president, and C. E. Thomas, cashier. In a few months, it was nationalized as the First National Bank of San Diego, with the same officers, and with a capital of \$50,000. To meet the boom conditions, its capital was increased to \$100,000 in 1885, \$200,000 in 1887, and \$300,000 in 1888. During the height of the real estate boom, its deposits reached \$2,500,000, but when the bubble burst they were reduced to less than a half million dollars—the million dollar mark not again being reached until 1903. In 1893, its capital was

reduced to \$150,000 to meet the changed conditions. Jacob Gruendike remained president of the bank, with the exception of two years, until his death in 1905. He was succeeded by D. F. Garretson. The First National Bank, in 1888, absorbed a second Bank of San Diego which had been organized in 1887, and on December 29, 1917, purchased the American National Bank. Affiliated with the First National Bank at present is the First Trust & Savings Bank, the outgrowth of a merger of the Citizens Savings Bank, the Bank of Coronado and the California State Bank of East San Diego, which occurred on December 30, 1922.

The second bank to be organized during the boom period was the San Diego National Bank, chartered July 29, 1887, with \$100,000 capital paid in. D. H. Henderson was president, and L. M. Jacobs, cashier. It retired within a year. The third bank that came upon the field during this period was the second Bank of San Diego, which had no connection whatsoever with its predecessor of the same name. It was chartered September 7, 1887, with a capital of \$200,000, one-fifth of which was paid in. J. H. Braly was president, and George M. Dannalls, cashier. W. D. Woolwine, who subsequently became prominent in the financial development of Los Angeles, was a member of its first board of directors. The second Bank of San Diego was absorbed by the First National Bank in 1888. The fourth bank to be organized during 1887 was the Bank of Commerce, chartered September 24, 1887, and capitalized at \$500,000, about one-tenth of which was paid in. J. L. Horning was president, and J. C. Long, cashier. During the banking panic of 1893, it was forced to close temporarily, but it remained closed for only four days. Dr. R. M. Powers then assumed the presidency of the bank and retained that position until the institution was nationalized as the National Bank of Commerce on June 17, 1903, with Julius Wangenheim, president.

The stockholders of the National Bank of Commerce organized the Security Savings Bank & Trust Company, chartered May 29, 1905, with a paid-up capital of \$125,000, and with Julius Wangenheim, president, and N. R. Titus, cashier. On September 6, 1907, both of these banking houses were merged under the state laws as the Bank of Commerce & Trust Company, chartered September 13 of that year. This new state bank was capitalized at \$500,000, fully paid up. J. Wangenheim was president, and J. S.



Second Bank of San Diego



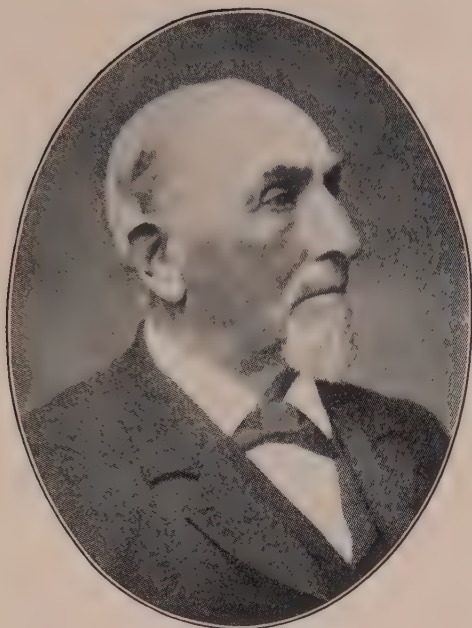
Commercial Bank of San Diego
EARLY SAN DIEGO BANKS

Hawley, Jr., cashier. On July 26, 1917, this institution and its Coronado branch were consolidated with the Southern Trust & Savings Bank, which had been chartered June 8, 1907, the merger being made under the title of the Southern Trust & Commerce Bank. It purchased the American State Bank of Brawley on November 1, 1919, the El Centro National Bank on June 30, 1920, the National City State Bank on April 14, 1922, and the following three banks of Escondido: the Home Savings Bank on July 3, 1924, the Escondido Savings Bank on June 30, 1926, and the Escondido National Bank on July 31, 1926. The Southern Trust & Commerce Bank and its branches were purchased by the Bancitaly Corporation in January, 1927.

As the real estate boom of the '80s was about to burst, the last bank to be established during that period was one organized by J. W. Collins and D. D. Dare. It was known as the California National Bank, and was capitalized at \$250,000. Its officers were William Collier, president, D. D. Dare, vice president, and J. W. Collins, cashier. The bank opened on January 8, 1888, in very elegant quarters in the Methodist Church Block. It soon gained the confidence of the public, was liberal in its loan policy, and was an important factor in the restoration of confidence following the bursting of the real estate speculative bubble. On January 11, 1890, the stockholders of the California National Bank organized the California Savings Bank, with a capital of \$250,000, only one-tenth of which was paid in. J. W. Collins was president, and F. T. Hill, cashier. The affairs of both banks appeared to be in an excellent condition. But Collins and Dare were very loose in their management of the two institutions. The public did not know that Collins had previously wrecked a bank at Cheyenne, and that Dare had brought less than \$7,000 to San Diego with which to establish himself and Collins as prominent bankers in that growing community. The two banks were managed by the same parties and occupied the same quarters. The funds of the California Savings Bank were to a great extent kept with the California National Bank. The State bank commissioners made repeated attempts to prevent this objectionable practice, but to no avail. Finally, they demanded that the California National Bank pay over to its affiliated institution the sum of \$101,654.85, which it was holding as a deposit of the savings bank and which represented about 50 per cent of the total deposits of the latter.

This forced the suspension of the California National Bank on November 12, 1891, which carried the California Savings Bank down with it. At first there was considerable sympathy shown for Collins in his misfortune, but later as the public learned of the gross mismanagement, which had been practiced by the active bank officers, the feeling of sympathy turned to anger. In February, 1892, it was announced that neither bank was in fit condition ever to be reopened. Collins was arrested on February 23, 1892, and was brought before the bank commissioners. He committed suicide on March 3. Dare, who was in Europe at the time of the suspension, never returned to San Diego. It was estimated that approximately \$800,000 had been embezzled by Collins and Dare. With deposits amounting to over \$1,000,000, only a very small dividend (12 per cent in the case of the California Savings Bank) was ever paid to the depositors of the defunct institutions. Fortunately no other banks in San Diego were affected.

The land boom, which had brought so much life to the community, and which had among other things caused the organization of a relatively large number of banks, finally burst in the late summer of 1888, with disastrous results. On July 1 of that year, San Diego had seven banks with a paid-up capital of \$709,500 and deposits of \$2,897,679. In two months' time, more than 10,000 people left the city. Over \$2,000,000 in deposits were withdrawn during the period of the exodus. Fortunately none of the financial houses of the city was forced to close even temporarily. While the consequences of the crash were serious enough, the community's recovery was greatly aided by the policy which the banks immediately adopted of making rather liberal loans, and by the city authorities undertaking the construction of certain public improvements. It was during the depression that a group of courageous souls with faith in the future organized the San Diego Savings Bank, chartered April 15, 1889, with a capital of \$200,000, only a tenth of which was paid up. O. J. Stough was president, and M. T. Gilmore, cashier. J. W. Sefton succeeded Stough, and M. T. Gilmore, its present head, succeeded Sefton. The San Diego Savings Bank was one of the two institutions of the city which were not forced to close their doors, either permanently or temporarily, during the panic of 1893, although it lost about \$150,000 by withdrawals at that time. On January



JACOB GRUENDIKE
Founder, First National Bank of San Diego



BUILDING OF THE FIRST NATIONAL BANK, SAN DIEGO, 1883

2, 1923, it added a trust department; on January 12, 1925, a commercial department; and on the latter date it also changed its title to the San Diego Trust & Savings Bank. The Fos Savings Union was also organized some time during 1888-1889 by C. M. W. Fos and W. U. Fos. It accepted no deposits, but engaged in the lending of money. It retired during 1890-1891. The San Diego City Directory of 1889 lists the firm of King, Lowrie & Company as private bankers, but I have been unable to find any further data regarding that firm.

The economic progress of San Diego was greatly retarded during the decade of the '90s. The panic of 1893 caused the temporary closing of all the local banks with the exception of only the San Diego Savings Bank and the Merchants National Bank. The latter had just been opened and luckily had incurred no obligations that could not be met. The Consolidated National Bank and the Savings Bank of San Diego County were compelled to remain closed and subsequently liquidated. The serious drought of 1897 also greatly affected the recovery of San Diego. For three months during that year there was not a drop of water in any of the city reservoirs. Considering the circumstances, therefore, it is not surprising that during 1890-1900 only two banking companies were established, i. e., the Merchants National Bank, incorporated in the spring of 1893, and the Blochman Banking Company, a private banking partnership, formed November 27, 1893. On September 30, 1913, the business of the latter was sold to the Blochman Commercial & Savings Bank, which had been incorporated August 14, 1913. The title of this bank was changed on August 5, 1914, to the Security Commercial & Savings Bank of San Diego. The Merchants National Bank was purchased by the Bank of Italy, December 16, 1922. Additional data regarding both of these institutions will be found in later chapters.

Three of the pioneer bankers of San Diego subsequently became prominent figures in the banking world of Los Angeles. E. F. Spence, who had been with the Commercial Bank of San Diego, was for many years president of the First National Bank of Los Angeles and was also connected with a number of other banking houses in Southern California. J. E. Fishburn, one of the original directors and later cashier of the First National Bank of San Diego, became president of the Merchants National Bank of Los Angeles. W. D. Woolwine, one of the directors of the second

Bank of San Diego, and also at one time cashier of the First National Bank of that city, became vice president, and finally succeeded Fishburn as president of the Merchants National Bank of Los Angeles.

During the period covered by the last two chapters, i. e., down to the year 1890, Los Angeles and San Diego were to a considerable degree two communities separated from the remainder of the state. The economic life and the activities of their bankers were for the most part disassociated from those in other communities. From that time forward, however, the development of the railroads of the state and the growth of population have been such as to tie those two districts more closely to the remainder of this great commonwealth. The story of the banking progress of Los Angeles and San Diego, therefore, becomes more intimately interwoven with the story of the growth of the financial interests of the state as a whole and will be so treated in subsequent chapters.

CHAPTER XIV

DEPRESSION AND RECOVERY, 1890-1900

As may have been noted from a perusal of the preceding chapters, the period of the '80s was for California, excepting only those sections which had experienced a land boom, one of slow, steady growth, one of "digging in," so to speak, for the banks and bankers of the state. Naturally, business practices had to be adjusted to the changed conditions which had been brought about by the developments of the '70s. This had been accomplished without the necessity of having to combat any opposing influences such as result from unusual political or economic events. There had been no war, either at home or with any foreign country. There had been no more than the ordinary number of bank failures, for the depression of 1884 did not noticeably affect the financial institutions of the state. The organized discontent of the farmers, represented by the Granger movement, and that of the workers, expressed through the Kearney agitation, had run its course and had passed from the field. The period had no dashing romantic figures, such as Brannan, James King of William, or Ralston, playing an active part in the realm of banking. Affairs, as a whole, had become more businesslike, more conservative—in fact, very much like those which one would have found during the same period in the older sections of the United States. Banking in California had at last lost its romantic characteristics, and henceforth its story becomes a simple, somewhat monotonous, narrative dealing with the establishment of banks and their subsequent history.

Economically, the Californians during the '80s had built for the future. In fact, in the matter of banking facilities, they had actually built somewhat ahead of the needs of their times, especially in the southern part of the state. There had also been an over-expansion in agricultural development, and it appears that the same condition existed in the realm of manufacturing. Consequently, the decade of the '90s saw California, as it were, sort

of taking a "breathing spell," trying to grow up, striving to accommodate itself to the big plans which had been made for it and its resources by those who had been so active in investing their funds within the confines of its borders.

The United States Census of 1890 gave California a population of 1,213,398, supporting 7,923 manufacturing establishments, which represented an investment of \$146,797,102, employed 83,642 persons, and produced \$213,403,966 worth of goods. By 1900, however, the population had increased to only 1,485,053. The census of the latter year disclosed 12,582 manufacturing plants, a goodly increase over the figures for 1890, but for the most part the increase had been caused by the establishment of many small plants employing only a few persons. This is shown by the fact that the number of employes had increased during the decade from 83,642 to 91,047, the amount of capital invested from \$146,797,102 to \$205,395,025, and the value of the products from \$213,403,966 to \$302,874,761. Part of the increase in the latter figure was due to the rise in the general price level. The value of all farm products increased only from \$777,381,767 to \$796,527,955 in spite of the rise in prices. Compared to the rest of the nation as to population, California stood twenty-second in 1890, and twenty-first in 1900. In the value of manufactured goods it was twelfth in rank during both years; in the value of agricultural products it was tenth in 1890, and fourteenth in 1900. It thus appears that California suffered rather severely from the bursting of the real estate boom of the later '80s and also from the panic of 1893.

As has been noted in preceding pages, California had, until the later '80s and early '90s, remained isolated to a very great extent from the affairs of the eastern part of the United States. The panic of 1873 did not reach California until about four years later. The depression of 1883-84 was almost unnoticed. But by the '90s, the industries and financial interests of the state had become more and more interwoven with those of the Middle West and the East, with the result that when the crisis of 1893 fell upon the eastern states, it was only a few months until California was likewise affected. By June of that year, the state was in the midst of the depression. Numerous mercantile failures occurred, banks in the central and southern parts of the state were forced to the wall, and unemployment and uncertainty reigned on all hands.

Nor was the state exempt from Coxey's Army, the California contingent being led by Carl Browne, who had earlier been associated with Dennis Kearney in the Workingmen's Party agitation of the later '70s.

The economic situation would undoubtedly have been much more serious in character had it not been for four unexpected occurrences over which Californians had no control. The first was the China-Japan war of 1894-95, which aided greatly in developing the Oriental trade of the western coast, especially that of California. This was followed in 1897 by the famous Klondike gold rush, which increased the passenger and freight traffic flowing through the Golden Gate. Then there was the Spanish-American war of 1898, which caused renewed activity among the industries and traders of the state in supplying the war needs of the Government, brought about the annexation of Hawaii, Guam and the Philippines, and laid the foundations for an expanded Oriental commerce. And finally, but not least in importance, came "the transformation of the vast and withering wilderness of the Colorado desert into the evergreen garden of the Imperial Valley, now about the most productive area on the face of the globe." All of these things, coming as they did after the crash of 1893, made it possible for the various industrial, commercial and financial interests of the state to recover much more quickly than would otherwise have been the case.

Two other outstanding matters, affecting primarily the later development of the resources of the state, although nevertheless of interest to us in connection with the decade under consideration as evidencing the progress that was actually being made in a relatively virgin territory, were the beginnings of the state's electric era and the rapid growth in the exploitation of its petroleum resources.

Petroleum had been discovered in various parts of California before 1860. At least seventy oil companies had been organized by that time with a paper capital of \$45,000,000. But it was not until about 1875 that the industry was put upon a basis comparable to that existing in Pennsylvania, and then only as the result of the arrival of some oil men from the latter state who had had considerable experience in the business. During the decade 1880-89, approximately 3,050,000 barrels were produced, valued at \$5,370,561. But during the next ten years the output

increased to more than 11,610,000 barrels, valued at \$12,155,920. From that time to the present, California has been one of the outstanding sources of crude oil and oil products in the world, its "black gold" supplanting in importance its output of the yellow metal.

But equally of value from every angle was the start made during this decade in the development of hydro-electric power. Small though that beginning was, it paved the way for a later growth and progress which have astonished the world with their results and which have given California the lead in the production, transmission and distribution of hydro-electric power, which it has maintained to this day. In 1891, the first hydro-electric plant in California was installed in the San Antonio Canyon—thirteen miles distant from Pomona. The San Antonio Light & Power Company was organized as the result of the activities of Doctor Baldwin, president of Pomona College, and began delivering electric power to Pomona in November, 1892, and to San Bernardino, twenty-nine miles away, in December of that year. The voltage at first was only 5,000, but in 1893, it was raised to 10,000. Shortly after the inauguration of this pioneer service, the Redlands Electric Light & Power Company installed a plant at Mill Creek. In 1894, the predecessors of the Pacific Gas & Electric Company began operations in Northern California. As the years passed, the voltage was raised and the distance of transmission was lengthened. By 1900, California had so far progressed in the development of hydro-electric energy that the United States Census Report of that year declared that,

"An advance beyond the utilization of the power of Niagara Falls is that developed during the census year (1900), by means of which electric current is transmitted from the Sierras in Eastern California as far as San Francisco and other cities adjacent to the Pacific seacoast."

Since that date, practically all of the most important developments in the production and distribution of hydro-electric power in America have taken place on the Pacific Coast. Today, nothing is thought of chaining the boundless energy of the mountain waterfalls and carrying it at the rate of 220,000 volts over hundreds of miles of lines, to serve the needs of farmers, householders, transportation companies and industrial enterprises. California now has the cheapest electricity in the United States and the

greatest production of hydro-electric power. The annual per capita consumption now stands at almost 1,356 kilowatt hours, as compared to 548 kilowatt hours for the nation as a whole. "White gold" has taken its place beside "yellow gold" and "black gold" in its economic importance to the people of the state.

The development of the petroleum and hydro-electric resources of California was a boon to those engaged in the financing and management of industry. Production costs had always been high in California. Labor, fuel, materials, funds—all had commanded the highest rates. The exorbitant wages of the gold rush had been reduced somewhat by eastern competition following the completion of the transcontinental railway, but California manufacturers were still forced to pay the highest wages in the United States. In 1890, the average annual wage of the adult males for the entire United States was \$498; for the Pacific Coast states, \$618; but for California, it was \$651. To a considerable degree, California employers have continued to pay higher wages than employers in other parts of the United States. In the matter of interest charges, beginning roughly with the '80s, money rates dropped more into line with those prevailing elsewhere. But it was the development of cheaper power that to a great extent aided in the progress of California industries. Oil, and then electricity, displaced the more expensive coal. California workers were of a higher productive quality than those elsewhere. Lower costs of factory buildings, and lack of necessity for expensive heating plants, both due to climatic conditions, also enabled California employers to offset the higher local costs of labor, materials and money. As a consequence, one notes that with the passing of time, California has become increasingly an industrial commonwealth.

Turning now to the story of banking during the decade of the '90s, a steady growth is noted not only in the number, but also in the resources, of California banks. From July 1, 1890, to August 31, 1900, the number of banks within the state increased from 232 to 287, the amount of combined capital paid in, surplus and reserves increased from \$78,532,439 to \$79,635,440; the amount of deposits increased from \$171,229,531 to \$279,838,089; and the total assets increased from \$261,353,368 to \$385,302,285. During the decade, savings banks increased from 37 to 53, the state chartered commercial banks from 126 to 178, while the number of

national banks (37) remained the same, and private banks decreased from 27 to 19.

The bank commissioners in their report of July 1, 1890, enumerated 163 incorporated state banks, 37 national banks, 5 agencies of foreign banks and 27 private banks, making a total of 232 financial institutions, an increase of 13 over what had been reported for the preceding year. Thirty-seven of the state banks were savings institutions while some of the remainder engaged in both savings and commercial banking business. Ten new savings banks had been incorporated during the fiscal year in question and one had retired. Twelve new commercial banks had been incorporated, four had retired and one had changed from a savings bank to a commercial bank. Two new national banks had been organized; seven private banks had retired from business. The bank commissioners reported that private banks were decreasing in number, either retiring or incorporating under the state law. The statute requiring them to report to the bank commissioners undoubtedly had had the effect of causing them to realize that it was advisable to become chartered state institutions of one kind or another. As yet, however, the law did not give the commissioners the right to examine into the condition of private banks, this privilege not being extended until 1905. Immediately thereafter a large number of private banks incorporated although it was not until 1913 that a law was passed prohibiting private banks.

The condition of the state banks was shown to be most satisfactory, thus evidencing the fact that the disastrous effects of the southern real estate boom had practically been overcome in the short period of three years. The bank commissioners continued to make recommendations to the State Legislature relative to amendments to the banking law so as to provide satisfactory banking requirements for the financial institutions of the state, but as usual their recommendations fell on deaf ears. Among other things, they urged that banks should be required to possess a certain amount of cash capital depending upon the size of the community in which the bank was located. For large cities, they recommended that at least \$100,000 be required, with correspondingly smaller amounts for the less populous centers, but in no case should any bank be allowed to incorporate with less than \$25,000 cash capital. The commissioners complained that

frequently they had been compelled to grant licenses to banking companies, where if they had had the power to refuse they would have done so, because the amount of capital paid in was frequently a nominal amount, sometimes an infinitesimal sum. They also called attention to the fact that many banks, which had been incorporated to do a savings bank business, were engaged solely in carrying on a commercial bank business. Pawn brokers and others were severely criticized for unethically, although not illegally, operating as "banks." The commissioners asked that the use of the word "bank" be restricted to those doing a legitimate bank business.

The first bank to be organized during this decade was the California Savings Bank of San Diego, which was incorporated January 11, 1890, with a capitalization of \$250,000, only one-tenth of which was paid in. William Collier was president, and J. W. Collins, cashier. This institution was the savings branch of the California National Bank, owned and operated by the same stockholders. It was wrecked with the parent bank as a result of the loose management of its officers, and suspended November 12, 1891. Its story has been fully told in Chapter XIII. Ricker, Mason & Lindley of Whittier, and the Market Street Bank of San Francisco, voluntarily retired some time during the latter part of 1889 or the early part of 1890. The second bank to be chartered during this year was the Alameda Savings Bank, incorporated February 1, 1890. It was capitalized at \$100,000, with \$21,300 paid in. It had the same officers as the Bank of Alameda which had been established on October 31, 1888, as the successor of the First National Bank of that city. H. Sevensing was president, and J. E. Baker, cashier. It added a commercial department on June 2, 1916, purchased the Alameda National Bank on June 30, 1921, changed its name to the Bank of Alameda on July 6, 1921, added a trust department on July 25, 1921, and was finally purchased by the American Bank of San Francisco on January 30, 1926. The Citizens Bank of Ontario was chartered March 1, 1890, with a capital of \$50,000. J. P. Robertson was president, and M. V. McQuigg was cashier. On January 10, 1912, it changed its title to the Euclid Savings Bank, and on February 4, 1925, it was sold to the First National Bank of Ontario.

The State Dime Savings Bank of San Francisco was incorporated on March 6, 1890, with an authorized capital of \$200,000,

but only \$10,000 of that amount was subscribed and only \$1,000 was paid in. O. E. Moore was president, and C. F. Day, cashier. The bank was not a success and was closed by the order of the bank commissioners in the following November. The Fallbrook Bank of West Fallbrook was incorporated on March 8, 1890, with a capital of \$50,000, of which \$18,000 was paid in. J. A. Pruett was president, and A. J. Clark, cashier. This bank had previously been a private bank. It voluntarily liquidated some time during 1895-96, paying its creditors in full. The Mercantile Bank of San Francisco was incorporated on March 15, 1890, with Max Popper, president, and J. C. Ruddock, cashier. It started out with an authorized capital of \$500,000, but with only \$131,000 of that amount paid in. It found no support from the San Francisco public and voluntarily retired in February, 1891, paying all claims in full.

In March, 1890, the failure of the old San Francisco private banking firm of Belloc & Company caused considerable criticism to be directed against the bank commissioners for not having previously acted in the case. The latter, however, justly declared that they had no authority whatsoever to examine into the affairs of any private bank, and that accordingly no responsibility could attach to them for the failure. They took occasion in passing to call attention to the fact that only one state bank, the Pomona Bank, had failed during the preceding fiscal year, and that its affairs had been formally placed in the hands of a receiver.

The Exchange Bank of Santa Rosa was incorporated on April 1, 1890. Manville Doyle was president, and F. P. Doyle, cashier. It had an authorized capital stock of \$300,000, with \$120,000 paid in. The Bank of Santa Maria was incorporated on May 15, 1890. L. M. Kaiser was president, and P. O. Tietzen, cashier. It had a capital stock of \$100,000, one-fourth of which was paid in. It later established branch offices at Guadalupe, Los Alamos and Orcutt, added a savings department on January 27, 1913, and was finally sold to the Los Angeles Trust & Savings Bank on July 1, 1922. The Bank of Lompoc was incorporated May 20, 1890, with George Roberts, president, and J. Klein, cashier. It started out with one-fourth of its \$100,000 capital stock paid in. It became the First National Bank of Lompoc on September 1, 1916, and was sold to the Bank of Italy on June 18, 1921. The Tulare Savings Bank and the Tulare County Bank were both

incorporated at the same time (July 10, 1890) and by the same stockholders. D. W. Madden was president, and E. J. Cox, cashier of both institutions. The Tulare Savings Bank started out with an authorized capitalization of \$100,000, of which approximately \$7,000 was paid in. The Tulare County Bank had an authorized capital stock of \$200,000, of which \$27,680 was paid in. Both banks retired some time during 1898-99, paying all claims in full.

The Perris Valley Bank of Perris was incorporated on July 28, 1890, with J. W. Nance, president, and James Patterson, cashier. It had an authorized capital stock of \$50,000, of which approximately one-fifth was paid in. It was declared insolvent and closed by the bank commissioners on December 9, 1895. The German-American Savings Bank of Los Angeles was incorporated on August 15, 1890, with E. N. McDonald, president, and Dr. M. N. Avery cashier. It had a paid up capital stock of \$100,000. It added commercial and trust departments on June 26, 1912, and changed its title to the German-American Trust & Savings Bank on July 1 of that year. On May 11, 1917, it changed its title to the Guaranty Trust & Savings Bank, and on September 17, 1921, it and its branches were merged into the Security Trust & Savings Bank of Los Angeles. The Bank of Pacific Grove was another one of the many banks that had a very short existence. It was incorporated on August 29, 1890, but retired before twelve months had passed. E. M. Carver was president, and G. H. Carver, cashier. It had a capital stock of \$200,000, but only \$13,260 was paid in at the time it opened for business.

The Riverside Savings Bank & Trust Company was started on September 10, 1890, with a capital stock of \$100,000, of which \$15,000 was paid in. A. P. Johnson was president, and C. H. Scott, secretary. On June 15, 1914, it changed its title to the Riverside Savings Bank, and on May 15, 1916, was sold to the Security Savings Bank of Riverside. The Farmers & Mechanics Savings Bank of Sacramento was established on September 20, 1890. B. U. Steinman was president, and D. D. Whitbeck, cashier. It had a capitalization of \$500,000, of which one-fifth was paid in. On March 5, 1919, it added a commercial department, and on February 9, 1923, changed its title to Farmers & Mechanics Bank. It purchased the Railroad National Bank of Roseville on January 13, 1925. The Bank of Bakersfield was chartered on

September 30, 1890. S. W. Wible was president, and J. J. Mack, cashier. It had an authorized capital stock of \$250,000, with \$62,500 paid in. It was sold to the Security Trust Company of Bakersfield on October 15, 1912. The Bank of Sanger was chartered on October 4, 1890. A. Kutner was president, and C. B. Pressley, cashier. It had a capital stock of \$100,000, of which one-fifth was paid in. It voluntarily liquidated some time during 1893-94 as a consequence of the depressed financial condition that existed at that time. All claims were paid in full. The story of the California Mortgage & Savings Bank of San Luis Obispo, incorporated on October 4, 1890, has been fully presented in earlier chapters. As may be remembered it was capitalized at \$250,000, of which \$103,894 was paid in. M. R. Venable was president, and H. Brunner, cashier. It was removed to San Francisco some time during 1896-97, where three years later it became the German Trust Company, then the Germania Trust Company, and in 1903 was divided into two parts, the Germania National Bank and the Central Trust Company of California. The latter was merged into the Anglo-California Trust Company, February 3, 1911, and the former retired after the San Francisco fire and earthquake of 1906, its assets being taken over by the Central Trust Company.

The Citizens Bank of Los Angeles was chartered on October 6, 1890, with T. S. C. Lowe, president, and T. W. Brotherton, cashier. It had an authorized capital stock of \$200,000, of which \$126,000 was paid in. It became the Citizens National Bank in July, 1901. A. J. Waters was made cashier and secretary in January, 1897, and president on January 14, 1902. On June 12, 1906, the capital stock was increased to \$300,000. On September 1, 1909, it absorbed the American National Bank. Several increases in the capital stock have been made since that time. The bank has grown rapidly and has developed with the prosperity of the southern part of the state. Its affiliated institution, the Citizens Trust & Savings Bank, operates one of the large branch banking systems of the state, and will be described in later chapters. The Monterey County Bank of Salinas was incorporated on October 17, 1890. W. Vanderhurst was president, and L. Rodgers, cashier. It had a capital stock of \$200,000, but only \$60,000 was paid in. It purchased the Bank of Gonzales on March 10, 1917, and re-incorporated on March 27th of that year. The Peoples State Bank of

National City was incorporated on October 17, 1890, with H. Shaubut, president and E. Thelen, cashier. It was capitalized at \$50,000, but only \$17,300 was paid in. In August, 1909, it removed to Chula Vista, a few miles distant, and on August 21, 1916, it purchased the Chula Vista State Bank. A savings department was added September 15, 1922. It was purchased by the Bancitaly Corporation in January, 1927.

The Rideout-Smith Bank of Marysville, which had previously been a private institution, was incorporated as the Rideout Bank on November 1, 1890. N. D. Rideout was president, and C. S. Brooks, cashier. It had a capital of \$500,000, one-half of which was paid in. This institution added a savings department on November 29, 1912, and was sold to the Bank of Italy on February 4, 1922. The Rideout Bank of Marysville established an agency at Gridley, which was incorporated on November 11, 1890. E. E. Biggs was manager. This agency also passed to the Bank of Italy on February 4, 1922. The Citizens Bank of South Riverside, which had previously been operated as a private bank by R. B. Taylor, was incorporated on November 5, 1890, with a capital stock of \$50,000, about two-thirds of which was paid in. R. B. Taylor was president, and J. T. Burton, cashier. Some years later the town of South Riverside became the town of Corona, and the bank's title was changed accordingly. The Watsonville Savings Bank was chartered on December 9, 1890, with only \$10,000 capital stock, of which one-half was paid in. G. M. Bockius was president, and H. S. Fletcher, cashier. As the years passed, it prospered, finally being sold to the Bank of Italy on December 24, 1923. The last bank to be established during the year was the Peoples Savings Bank of Fresno, which was chartered on December 10, 1890. Chester Rowell was president, and A. V. Lisenby, cashier. It was capitalized at \$100,000, with \$20,000 paid in. This institution was sold to the Bank of Italy on December 30, 1916. On December 24, 1890, the Bank of La Porte applied to the Superior Court for voluntary dissolution and subsequently retired, paying all creditors in full.

The year closed with the banks of the state in excellent condition as was disclosed by their semi-annual statements. It was also evidenced by the fact that the failure of the firm of Baring Brothers in London and the temporary but serious flurry that swept over the eastern states did not create "even a ripple" in California, although about \$5,000,000, required by New York

correspondents, was temporarily withdrawn from the local money market during the excitement incidental to that failure and the shock to the international financial world which accompanied it.

The annual report of the bank commissioners on July 1, 1891, disclosed 139 incorporated state commercial banks, 45 savings banks, 5 agencies of foreign banks, 37 national banks and 20 private banks, a total of 246 banks for the state. During the fiscal year ending on that date, 4 private banks had incorporated, 3 private banks had retired, 2 state banks (the Mercantile Bank of San Francisco and the Bank of La Porte) had voluntarily retired, while one bank, the State Dime Savings Bank of San Francisco, had been closed by the bank commissioners. Of the 24 new state banks, 9 were savings banks, and 15 were commercial banks. Noticeable progress was being made in the conversion of private banks as is evidenced by the statement of the commissioners to the effect that,

"It is worthy of note that our State system has been adopted by such long established and high standing private bankers as Donohoe, Kelly & Company, Tallant & Company, and Rideout & Smith, there being now only one or two private banking concerns of any magnitude in the state."

The commissioners again asked the Legislature to enact a law requiring at least a minimum of \$25,000 cash capital for every bank before it be given a license. They called attention to the fact that during the year they had been obliged to close a bank which had only \$1,000 paid-up capital. The commissioners for the first time announced that they knew that some of the banks had been "window dressing" their semi-annual statements. These statements were required by law to be filed on certain prescribed dates, which made it possible for the banks to place themselves in excellent shape on the days for which the reports were made and sworn to before a notary public. The commissioners requested that the law be so amended as to make it possible for them to require the semi-annual statements to be filed for some past date, and cited the practice of the national banking system in that connection as the ideal one to be followed. It was hoped that if that were done, banks would be compelled to maintain themselves constantly in excellent financial condition, because they would not know for what particular past date the reports would be demanded. It would also avoid the custom of hoarding large sums of

money for the purpose of showing a goodly amount of cash on hand, especially on January 1. This latter practice was one of the outstanding reasons for the existence of a tight money market, which annually characterized financial circles in California during the Christmas season. The attention of the Legislature was again called to the evils arising from the establishment of savings banks as adjuncts to commercial banks regardless of whether the latter were operating under state or national charters. As usual nothing came from the above suggestions.

The Legislature, however, did see fit finally to act upon two other matters which were of importance to the banking interests of the state. On March 31, 1891, the governor approved a measure passed by the Legislature providing for "the dissolution and winding up of savings banks, trust companies, and banks of deposit, and providing for the disposition of all funds deposited therein and not claimed within five years after such banks have ceased to do business, or, after the commencement of proceedings to dissolve." The commissioners had for years past, in fact ever since the first year of their operations, been faced with serious difficulties attendant upon liquidating the affairs of insolvent banks. The Odd Fellows Savings Bank and the Masonic Savings & Loan Bank, both of which had failed in 1878, were still in process of liquidation in 1891, despite the efforts of the commissioners to bring matters to a close.

The Act of 1891 required that a bank which had ceased to receive deposits should, at the end of five years, pay all remaining funds into the State Treasury to be held in "The Dissolved Savings Bank Fund", and should furnish the State Comptroller with warrants upon proof of ownership being acknowledged by the State Board of Examiners. All moneys remaining in the fund after five years were to escheat to the State. When the fund contained \$10,000 or more, the money was to be invested in civil bonds. This statute proved to be of great assistance to the commissioners in preventing various abuses that had earlier arisen in connection with the liquidation of bankrupt financial institutions.

The other measure, approved April 6, 1891, was the first to be passed by the Legislature specifically "authorizing certain corporations to act as executor and in other capacities, and to provide for and regulate the administration of trusts by such

corporations." The details of this original measure, and of the various amendments that were subsequently made to it, will be more fully presented in Chapter XX, dealing with "Trust Companies in California." In this place, it is sufficient to say that this statute authorized corporations to act as "executor, administrator, guardian, assignee, receiver, depository or trustee * * * in like manner as individuals." All such corporations were required to have an authorized capital stock of not less than \$250,000, of which at least \$100,000 was to be paid in. They were placed under the jurisdiction of the bank commissioners as to reports, examinations, and the enforcement of the terms of the statute.

The first trust company to file a statement with the bank commissioners was the California Title Insurance & Trust Company of San Francisco. It had been incorporated February 19, 1886, and at the time of its report for January, 1892, it had a paid-in capital of \$250,000. George T. Mayre, Jr., was president, and H. D. Lawrie was secretary. It reported resources of only \$282,745. Of that amount, \$133,100 was loaned out on real estate, and \$127,196 was invested in its building and fixtures. It reported no trust funds or liabilities. There were at that time a number of other banks in operation carrying the word "trust" in their titles, but it is doubtful whether or not they were actually performing any of the functions of a trust company. In the 1895 report of the bank commissioners, the California Safe Deposit & Trust Company (incorporated April 24, 1882) is listed for the first time as a trust company. It had previously appeared as a commercial bank. Its statement of January 1, 1895, disclosed \$3,858,304 in trust accounts, although in its earlier reports no similar item is found. The statement of the Union Trust Company of San Francisco (incorporated February 6, 1893) also appears for the first time in the 1895 report of the commissioners. This represents the beginnings of trust companies in California. So important have they become with the passage of time that it will be necessary to devote a separate chapter to the story of their growth and development.

The governor on March 31, 1891, also signed an act placing building and loan associations under the jurisdiction of the bank commissioners. For the first time in the history of the state, reports covering the financial condition of those concerns were gathered and published for the information of the public. In

their report for 1892, however, the commissioners asked that these associations be placed under the special supervision of a building and loan commissioner or some such official, as had been done by other states. This was finally done by a law enacted March 23, 1893.

During the calendar year 1891, a large number of banks were incorporated. The Laugenour Banking Company of Dunnigan, a private banking partnership, was brought into the field some time during this year or during the early part of 1892. H. W. Laugenour and J. L. Simpson were the owners. It was forced to retire as a result of the panic of 1893. The Visalia Savings Bank was the first bank to be chartered during 1891. It was incorporated on January 27, with A. E. Hyde, president, and C. J. Giddings, cashier. It had an authorized capital stock of \$100,000, but started out with only \$5,000 paid in. As the years passed, its business grew and the amount of its paid-up capital stock was increased accordingly. On May 10, 1919, it added a trust department and changed its title to the Visalia Savings Bank & Trust Company. It was purchased by the Bank of Italy on April 16, 1921. The Broadway Bank of Los Angeles was incorporated on February 2, 1891. W. Gillelen was president, and F. L. Forrester, cashier. It was capitalized at \$100,000, a little less than one-half of which was paid in. This institution had been started in the spring of 1890 as a private bank, the partners being G. H. Bonebrake, H. Sinsabaugh, and George Sinsabaugh. The latter was cashier. Some time during 1898-99 it became the Broadway Bank & Trust Company of Los Angeles, and on July 1, 1911, was sold to the Citizens Trust & Savings Bank. The Bank of Hayward was chartered on February 26, 1891, with W. F. Goad president, and J. E. Crooks, cashier. It was capitalized at \$200,000, \$25,000 of which was paid in. It absorbed the Hayward Bank of Savings, an affiliated institution, on August 31, 1923.

The Riverside Savings & Loan Association was chartered on April 23, 1891. S. C. Evans was president, and P. T. Evans, cashier. It was capitalized at \$500,000, one-tenth of which was paid in. This institution voluntarily liquidated some time during 1895-96, as a result of the depression following the panic of 1893. S. C. Evans was also active in organizing the Riverside National Bank, which was chartered on July 5, 1891, but which began operations on June 13, 1892. Evans was president of the latter organ-

ization. F. H. Ross was cashier. It had a fully paid-up capital stock of \$100,000. Like its affiliated institution, it liquidated as a result of the panic of 1893. The Farmers & Merchants Bank of Hanford was chartered on April 28, 1891, with a capital stock of \$100,000, one-half of which was paid in. C. R. Railsback was president, and B. A. Fassett was cashier. It voluntarily retired some time during 1904-05. The Santa Monica Commercial Company Bank was chartered May 5, 1891. W. S. Vawter was president, and E. J. Vawter, cashier. It had an authorized capital stock of \$100,000, of which \$65,000 was paid in. It retired some time during 1898-99. The Security Savings Bank of San Jose was incorporated June 23, 1891. W. D. Tisdale was president, and L. G. Nesmith, cashier. It had an authorized capitalization of \$500,000, one-tenth of which was paid in.

The First National Bank of Merced which had been chartered June 23, 1887, became a state bank on June 25, 1891, under the title of Commercial and Savings Bank of Merced. C. H. Huffman was president, and M. S. Huffman, cashier. It started out with a fully paid-up capital of \$300,000. On December 27, 1897, it became the Commercial Bank of Merced with J. D. Bradley, president, and L. G. Worden, cashier, and with a paid-up capital stock of \$50,000. On June 8, 1909, the stockholders reincorporated as the Commercial Savings Bank of Merced with a capital stock of \$100,000, and also organized the First National Bank of Merced with the same amount of capital stock. Both institutions were sold to the Bank of Italy on June 7, 1916. The Savings Bank of Redlands was chartered on July 19, 1891. A. L. Park was president, and J. W. Wilson, cashier. It was capitalized at \$100,000, but only \$5,000 was paid in. It was sold to the Los Angeles Trust & Savings Bank on July 1, 1922. The Los Nietos Valley Bank of Downey was chartered on July 20, 1891, with J. T. Blythe, president, and H. A. Scott, cashier. It had a capital stock of \$50,000, of which about two-thirds was paid in. On June 17, 1919, it added a savings department. The Bank of San Mateo County, located at Redwood City, was incorporated on July 24, 1891. J. L. Ross was president, and L. P. Behrens, cashier. Some time during 1903-04, it became the First National Bank of Redwood City.

The Antelope Valley Bank of Lancaster was incorporated August 1, 1891, and opened for business December 15th of that year.

J. F. Andrews was president, and E. C. Andrews, cashier. It had a capital stock of \$100,000, less than one-fifth of which was paid in. It was forced to liquidate as a consequence of the panic of 1893, but paid all claims in full.

One of the most promising ventures in the realm of banking, which resulted unfortunately, was the organization of the Orange Growers Bank of Riverside, incorporated August 17, 1891. M. J. Daniels was president, and H. T. Hays, cashier. It started with an authorized capital stock of \$250,000, about one-fourth of which was paid in. It became the Orange Growers National Bank in 1903, but in 1904 was wrecked by its cashier, who had misappropriated approximately \$100,000 of the bank's funds. The stockholders, however, made up all losses and paid depositors in full with interest.

The Azusa Valley Bank located at Azusa was incorporated on August 17, 1891. W. F. Bosbyshell, a Los Angeles banker, was president, and P. C. Daniels, cashier. It was capitalized at \$50,000, about one-third of which was paid in. On January 29, 1906, it became the Azusa Valley Savings Bank. W. R. Powell was president of the latter, and I. W. Ketcham was cashier. The Home Savings Bank of Oakland was chartered September 8, 1891, with V. D. Moody, president, and O. F. Sites, cashier. A. C. Henry, one of the early bankers of Oakland, was on its board of directors. It was capitalized at \$500,000, one-tenth of which was paid in. It became the Central Bank shortly after incorporation. On August 13, 1909, it nationalized its commercial business as the Central National Bank. The savings business of the institution was continued as the Central Bank until April 7, 1911, when the title of the latter was changed to the Central Savings Bank. It began to expand in 1913 by purchasing the Telegraph Avenue Savings Bank of Oakland on May 20, of that year, the savings department of the Union Savings Bank of that city on November 28, 1914, the savings department of the Western Commercial & Savings Bank of Oakland on September 25, 1915, the savings department of the Bank of Commerce of Oakland on December 11, 1915, and the State Savings Bank of Oakland on March 31, 1923. It added a commercial department on April 22, 1919. The Central National Bank of Oakland purchased and absorbed the Syndicate Bank on April 29, 1910, the commercial department of the Union Savings Bank of Oakland on Novem-

ber 28, 1914, the commercial department of the Western Commercial & Savings Bank of Oakland on September 25, 1915, and the commercial department of the Bank of Commerce of that city on December 11, 1915.

The Bank of Antioch was incorporated September 12, 1891. S. G. Little was president, and R. Harkinson was cashier. It had an authorized capital stock of \$100,000, a little more than one-fifth of which was paid in. On November 30, 1920, it purchased the Bank of Brentwood. The Hanford Savings Bank was chartered October 8, 1891, with C. R. Railsback, president, and B. A. Fassett, cashier. It had an authorized capital stock of \$50,000, less than one-tenth of which was paid up at the time it opened for business. It was sold to the Los Angeles Trust & Savings Bank, July 1, 1922. The Bank of Fort Bragg was incorporated October 29, 1891, with C. Stewart, president, and H. A. Weller, cashier. It was capitalized at \$100,000, less than one-fifth of which was paid in. It became the First National Bank of Fort Bragg on January 10, 1910, and also during the same year organized an affiliated institution, the First Bank of Savings. Both of these banks closed on May 1, 1922, and remained closed for four months. New capital was then brought in, the two banks were merged and reopened as the Coast National Bank with \$100,000 capital and \$20,000 surplus.

The Farmers & Merchants Bank of Hollister was chartered November 3, 1891, with William Palmtag, president, and A. Tonn, cashier. It was capitalized at \$200,000, one-fourth of which was paid in. It became the First National Bank of Hollister in 1909, with a capital stock of \$100,000. The Bank of Kingsburg had a rather interesting history. It was chartered on November 7, 1891, with S. C. Lillis, president, and W. S. Hopkins, cashier. It had \$50,000 capital stock fully paid up. Seemingly Kingsburg did not offer the opportunities desired by its stockholders, as a consequence of which the bank was moved to San Francisco in October, 1895, but it did not operate as a bank until 1903, at which time it opened as the Market Street Bank. It was closed by order of the bank commissioners on February 21, 1908.

The Randall Banking Company of Eureka, a private banking house, was incorporated on December 1, 1891. A. W. Randall was president, and J. S. Murray, cashier. It had a capital stock

of \$200,000, of which \$57,300 was paid in. It was forced to close its doors some time during 1896-97 as a consequence of the depression following the panic of 1893. The Yolo County Savings Bank of Woodland was incorporated on December 9, 1891, with A. D. Porter, president, and J. I. McConnell, cashier. It was capitalized at \$500,000, \$30,000 of which was paid in. The National Bank of Pomona was incorporated December 10, 1891, with J. T. Brady, president, and G. A. Lathrop, cashier. It was capitalized at \$50,000. In 1905, it changed its title to the American National Bank. The private banking house of G. K. Smith of Biggs was incorporated as the Sacramento Valley Bank on December 16, 1891, with a capital stock of \$200,000, \$40,000 of which was paid in. G. K. Smith was both president and cashier. It was closed by order of the superintendent of banks on March 13, 1924, permitted to re-open on August 4, 1924, and added a savings department on April 1, 1925.

The Bank of Lemoore was the last bank to be established during this year. It was chartered on December 28, 1891. S. C. Lillis was president, and B. O. Carr, cashier. It was capitalized at \$100,000, one-half of which was paid in. On April 28, 1915, it added a savings department. On March 1, 1922, it became the National Bank of Lemoore and on April 26 of that year merged with the First National Bank of Lemoore under the title of the latter. A new Bank of Lemoore was immediately incorporated (May 2, 1922), with a capitalization of \$25,000. H. C. Lillis was president of the last mentioned bank, and A. D. Campbell was secretary.

The most outstanding event during 1891 was the organization of the California Bankers Association at Los Angeles on March 11. Some of the more progressive bankers of the state, especially those of Los Angeles, had expressed the hope that a statewide association might be formed. The bank commissioners in their report of July 1, 1890, had suggested,

“* * * that a Convention of California bankers would be a pleasant and profitable meeting, and an organization thus formed to meet annually would certainly result in general good to the banking interests of the state.

“An association of California bankers, besides disseminating valuable information arising from the discussion of important financial questions, would wield an influence of great value in the

expression of a solidified opinion upon national topics wherein our State is more or less directly interested."

In December of that year, the members of the Los Angeles Clearing House met to take the preliminary steps to form such an association, and on January 14, 1891, forwarded a circular letter to all banks of the state asking them to be represented at a meeting to be held in that city on March 11, for the purpose of organizing a "State Bankers Association." The three bank commissioners, one national bank examiner and representatives of 94 banks, were present when the convention assembled. Papers were read on "The Scope of a State Bank Association," "Cost vs. Accounts," "Duties of a Bank Commissioner," "Gratuitous Work Done by Banks", and various other topics of interest. The California Bankers Association was formed and the following officers were elected to serve for one year:

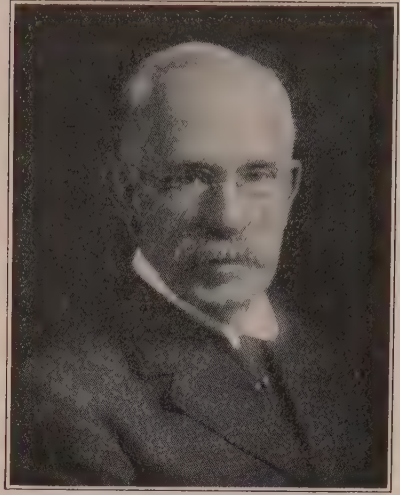
President, Thomas Brown of the Bank of California, San Francisco; first vice president, Isaias W. Hellman of the Nevada Bank, San Francisco; secretary, George H. Stewart, Los Angeles County Bank; treasurer, G. W. Kline, First National Bank, San Francisco; chairman executive committee, A. D. Childress, City Bank, Los Angeles.

From such a small beginning the California Bankers Association has grown into one of the largest and most important state organizations of its kind in the United States. The story of the association, its officers and accomplishments will be more fully detailed in Chapter XXVII.

The bank commissioners in their report of July 1, 1892, listed the data covering the financial condition of 268 banks, a net increase of 22 since their last report. Thirty-one new banks had been organized. One was a national bank, one was a private bank, ten were savings banks and nineteen were state chartered commercial banks. Nine banks had retired. There had been an increase of almost \$5,000,000 in capital and surplus, and of more than \$13,000,000 in deposits. The commissioners repeated their recommendations relative to needed banking legislation, which had been made in their report of 1890. Especially did they urge the enactment of a law fixing the minimum amount of cash capital required of a banking company. They called attention to the fact that they were powerless to refuse a license to conduct a bank where the amount of capital actually paid in was merely a

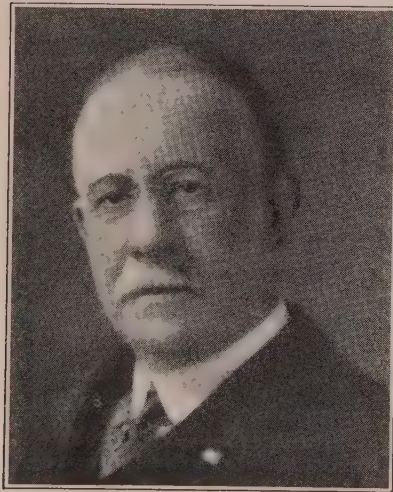


Francis Shattuck



A. W. Naylor

PIONEER BANKERS OF BERKELEY



P. E. BOWLES
American Bank, San Francisco

nominal sum. They reported seven banks having a paid-up capital of less than \$10,000, and twenty-nine with a paid-up capital of less than \$25,000. They again urged the Legislature to enact a statute which would forbid the use of the word "bank" or any equivalent term by any corporation or person not doing a legitimate banking business. Again, as before, the suggestions of the commissioners met with no response from the legislators.

The first bank to be established during 1892 was the Bank of Sebastopol, incorporated on January 27. C. W. Wightman was president, and G. P. Baxter, cashier. It was capitalized at \$50,000, a little more than one-half of which was paid in. On January 31, 1910, it sold its commercial business to the First National Bank of Sebastopol and its savings business to the Sebastopol Savings Bank. The Savings Bank of St. Helena was chartered on January 15, 1892, with D. O. Hunt, president, and A. L. Williams, cashier. It was capitalized at \$100,000, but started operations with only \$10,000 paid in. On April 22, 1920, it changed its title to the First Savings Bank of St. Helena. As has been noted in a preceding chapter, the Savings & Loan Bank of San Benito County at Hollister was incorporated on January 28, 1892, with T. S. Hawkins, president, and T. W. Hawkins, cashier. It started out with \$250,000 capital stock, one-fifth of which was paid in. After a successful career, it was sold to the Bank of Italy on December 16, 1916. The Commercial Bank of Berkeley was chartered on February 9, 1892, with F. K. Shattuck, president, and A. W. Naylor, cashier. It was capitalized at \$100,000, about one-fifth of which was paid in. In May, 1900, it became the First National Bank of Berkeley and on March 4, 1922, was sold to the Mercantile Trust Company of San Francisco. The same stockholders also organized the Berkeley Bank of Savings, which was chartered on the same date with \$50,000 capital stock, less than one-fifth of which was paid in. In January, 1907, it became the Berkeley Bank of Savings & Trust Company. A commercial department was added in July, 1910. It purchased the South Berkeley Bank on December 30, 1915, and the Homestead Bank of Berkeley on September 8, 1916, and was sold to the Mercantile Trust Company of San Francisco on February 24, 1922. The Hollister Savings Bank was chartered on February 11, 1892, with A. P. Boyd, president, and A. Tonn, secretary. It was capitalized at \$50,000, one-tenth of which was paid in.

The Peoples Bank of Santa Cruz was chartered February 11, 1892, with an authorized capital stock of \$200,000. Of this amount \$82,000 was paid in. H. Willey was president, and A. A. Morey, cashier. It became the Farmers & Merchants National Bank on June 30, 1914. The same stockholders also organized the Peoples Savings Bank of Santa Cruz, incorporated April 26, 1892, which began operations on September 1 of that year. It had the same officers as the Peoples Bank, and was capitalized at \$100,000, but less than one-tenth of that amount was paid in.

On March 17, 1892, the Producers Savings Bank of Bakersfield was incorporated with an authorized capital of \$100,000, but only \$7,400 was paid in. S. W. Ferguson was president, and F. A. Stewart, cashier. It subsequently established a branch office at Maricopa, which was sold to the First National Bank of Maricopa on April 24, 1911. On April 15, 1915, a commercial department was added. It purchased the Bank of Wasco on April 17, 1915, and the First National Bank of Taft on January 17, 1916, and was nationalized as the Producers National Bank of Bakersfield on April 8, 1919. On May 5, 1919, it was sold to the First National Bank of Bakersfield, which in its turn was purchased by the Bank of Italy on May 3, 1922. The Citizens Bank of Paso Robles was chartered on April 16, 1892, with M. R. Venable, president, and A. F. Horstman, cashier. One-half of the authorized capital stock (\$50,000) was paid in. On August 11, 1909, it purchased the assets of the defunct Bank of Paso Robles; on January 10, 1918, it added a savings department; and on June 18, 1921, it was sold to the Bank of Italy.

The firm of Sisson, Crocker & Company of San Francisco, which for a number of years had been engaged in railroad construction and had later become a private bank, was finally incorporated as the Bank of Sisson, Crocker & Company on April 25, 1892. G. W. Scott was president, and W. W. Van Arsdale, cashier. It had an authorized capital of \$400,000, of which one-fourth was paid in. In 1895, it was sold to the Crocker-Woolworth National Bank, with which it had had no previous connection. The Bank of Williams was incorporated on June 17, 1892, with a paid up capitalization of \$200,000. J. C. Stovall was president, and W. Smith, cashier. The Bank of Oroville was chartered on June 28, 1892, with J. M. Ward, president, and

C. H. Schively, cashier. It was capitalized at \$100,000, of which one-half was paid up.

The Columbia Savings Bank of Los Angeles was chartered August 5, 1892. L. D. Stimson was president, and L. W. Thorne, cashier. It had capital stock of \$100,000, one-half of which was paid in. In 1900, it was merged into and with the Union Bank of Savings of that city, which in 1906 was absorbed by the German-American Savings Bank. The latter changed its title in 1912 to the Guaranty Trust & Savings Bank, and was merged into the Security Trust & Savings Bank in 1921. The Farmers & Merchants Bank of Woodland was chartered September 28, 1892. D. N. Hershey was president, and M. O. Harling, cashier. It started with an authorized capital of \$500,000, but only \$110,950 of that amount was paid in. On August 31, 1909, it sold its commercial business to the First National Bank of Woodland and its savings business to the Home Savings Bank of Woodland. Both were sold to the Bank of Italy on July 22, 1922. The Bank of Tehachapi was incorporated October 11, 1892, and began operations on November 14th of that year. I. Asher was president, and A. Aucker, cashier. It had an authorized capital of \$100,000, with \$10,000 paid in. A savings department was added March 1, 1923. The Bank of Palo Alto was organized on October 18, 1892, with an authorized capital of \$100,000, \$20,000 of which was paid in. Joseph Hutchinson was president, and G. R. Parkinson, cashier. It and its branch at Menlo Park were sold to the Mercantile Trust Company of San Francisco on January 16, 1926.

The Bank of Lassen County located at Susanville was chartered October 29, 1892, and opened its doors on January 3, 1893. C. G. Linington was president, and H. W. Meylert, cashier. It started with \$50,000 capital, fully paid up. A savings department was added September 17, 1913. The Farmers & Merchants Savings Bank of Oakland was incorporated on November 10, 1892, and began operations on April 11, 1893. E. F. Adams was president, and J. C. McKee, cashier. It was capitalized at \$500,000, of which \$69,500 was paid in. During the many years that have intervened, this institution has continued to operate solely as a savings bank. The First National Bank of San Luis Obispo took out a state charter as the County Bank of San Luis Obispo on December 1, 1892. J. P. Andrews was president, and R. E. Jack,

cashier. It began operations with an authorized capitalization of \$300,000, one-half of which was paid in. It was closed by the bank commissioners on March 18, 1899.

The Needles National Bank was chartered December 3, 1892, with a paid up capital stock of \$50,000. W. F. Crosby was president, and F. W. Gove, cashier. It was closed January 19, 1895, as a result of the panic of 1893. The Bank of Monterey, the last bank to be organized during this year, was chartered December 30, 1892, with a capital of \$100,000, one-fourth of which was paid up. J. D. Carr was president, and C. D. Henry, cashier. The same stockholders also organized an affiliated institution, the Monterey Savings Bank on May 19, 1911. Both of these banks were sold to the Valley Bank of Fresno on April 18, 1923, and operated as a Monterey branch, until they were purchased by the Bank of Italy on March 1, 1924.

For the fiscal year ending July 1, 1893, the bank commissioners reported a slowing up in the incorporation of banks. Only 26 new banks had been organized and 10 banks had retired. Of the new institutions, 16 were commercial banks and 7 were savings banks. There were in California at that date, 60 state savings banks, 168 state chartered commercial banks, 5 agencies of foreign commercial banks, 34 national banks and 15 private banks, making a total of 282 financial institutions. The commissioners commented upon the failure of many bank directors, especially those connected with banks in the interior of the state, to keep in touch with the affairs of their institutions. They claimed that, until a bank got into difficulty, many of the directors did not realize that they were trustees for the stockholders, and as such were legally responsible for all acts of the officers of the bank. The commissioners recommended that directors should meet frequently, and should thoroughly acquaint themselves with all of the phases of the business of their particular institution. They urged that directors should be given a full statement of all transactions that had taken place subsequent to the preceding meeting, and thus be able to have full and continuous information relative to the affairs of the bank with which they were associated.

The State Legislature on March 9, 1893, repealed the act of April 1, 1876, requiring all corporations and all persons engaged in banking to publish semi-annual reports of their condition in at least one local newspaper and to file a copy of the same with

the county recorder. Another statute required that such reports be filed with the bank commissioners, thus making it unnecessary to publish and file them with the county recorder. The Legislature also a few days later passed a law, signed by the governor on March 23, 1893, requiring savings banks to publish annually and for four successive weeks, a list of deposits which had remained unclaimed during the preceding ten years, together with the names of the depositors and their last known address.

The year of 1893 opened as favorably as could have been expected, and it is doubtful whether or not any of the bankers of California realized what was to be in store for them before the year had passed. Bank after bank was organized before the panic broke in June of that year. The first institution to be incorporated was the Columbus Savings & Loan Society of San Francisco which was chartered on January 18, 1893, and began operations on April 1. John F. Fugazi was president, and F. N. Belgrano was cashier. It began with an authorized capital of \$300,000, one-fifth of which was paid in. This institution was the first Italian bank, and in reality the parent of the several others, to be established in the northern section of San Francisco, where resided chiefly the thrifty and industrious members of the Italian race. Its incorporators met with the whole-hearted coöperation of I. W. Hellman, Sr., who at that time was president of the Nevada Bank. After having most successfully served the needs of its clients for thirty years, it was merged into the Italian-American Bank of San Francisco on November 28, 1923. The latter had been established in 1899, and was in its turn merged into the Bank of Italy in the spring of 1926. The Union Bank of Savings of Los Angeles was incorporated on January 27, 1893, but did not begin business until August of that year. M. W. Stimson was president, and W. E. McVay, cashier. It was capitalized at \$200,000, of which only \$28,000 was paid in. It absorbed the Columbia Savings Bank in 1900, and in 1906 was merged with the German-American Savings Bank, which later became the Guaranty Trust & Savings Bank. The latter in its turn was merged with the Security Trust & Savings Bank in December, 1921. The Bank of Pleasanton was incorporated on February 3, 1893. It was one of several banks organized by P. N. Lilienthal of San Francisco, who served as its first president. E. L. Benedict was cashier. It was capitalized at \$50,000 of which one-half was paid in. A savings department was added April 12, 1912.

The Union Trust Company of San Francisco was incorporated February 6, 1893, and began operations about two months later. It was the first bank established by I. W. Hellman after he had taken over the Nevada Bank. It was also the first *bona fide* trust company established in San Francisco and at the time of its first report to the bank commissioners, filed on January 1, 1895, it listed its trust accounts at \$1,520,604, its only other liabilities consisting of an income account of \$10,952 and unpaid dividends of \$79. After operating most successfully for many years, this pioneer trust company was merged with the Wells Fargo Nevada National Bank on January 1, 1924, under the title of the Wells Fargo Bank and Union Trust Company. Both institutions had been controlled by the same interests. I. W. Hellman, Sr., remained as president of the Union Trust Company until February 10, 1916, at which time he was succeeded by his son, I. W. Hellman, Jr., who served until his death, May 10, 1920. S. P. Young was its first cashier. It started with a capitalization of \$1,250,000, of which \$575,000 was paid in. At the time of its merger with the Wells Fargo Nevada National Bank, it had a capital of \$1,200,000, surplus of \$2,700,000, and total resources of \$43,000,000. The former quarters of the Union Trust Company are still being used as a branch of the parent institution. The Ferndale Bank was incorporated on February 17, 1893. A. Putnam was president, and J. H. Frost, cashier. It was capitalized at \$100,000, one-fourth of which was paid in. A savings department was added, January 8, 1913.

The Encinal Savings Bank of Alameda was chartered on February 23, 1893, and began operations about two months later. C. S. Neal was president, and J. F. Ward, cashier. It was capitalized at \$100,000, of which approximately one-fifth was paid in. The depression of 1893 was, however, too much for it to withstand, and it retired within a year. Its stockholders had also established an affiliated institution, the Encinal Bank of Alameda with the same officers, and with a capital of \$100,000, a little more than one-fourth of which was paid in. It likewise retired within a year's time. The Bank of San Leandro was chartered on February 24, 1893, and began business in May of that year. S. Huff was president, and C. H. Hale, cashier. It was capitalized at \$100,000, one-fourth of which was paid in. On July 1, 1910, its stockholders nationalized its commercial business as the First

National Bank of San Leandro, and on the same date purchased the San Leandro Savings Bank. On January 3, 1912, they also purchased the Elmhurst Bank which was conducted as a branch office of the Bank of San Leandro until October 4, 1924, when both of these banks and their branches were sold to the American Bank of Oakland. The Columbian Banking Company of San Francisco was chartered on March 10, 1893, with I. J. Truman, president, and C. O. Perry, cashier. It was capitalized at \$1,000,000, of which only \$31,750 was paid in. It retired some time during 1906-07. The Dairymans Bank of Valley Ford, although chartered March 15, 1893, did not open for business until October 16th of that year. Hollis Hitchcock was president, and H. M. LeBaron, cashier. It began operations with about one-third of its \$100,000 capital stock paid in. On April 14, 1914, it added a savings department, and on February 2, 1923, it purchased the Bank of Tomales and continued it as a branch office. On June 21, 1923, the title of this institution was changed to the Dairymans Coast Bank.

The Oakland Loan & Investment Company was incorporated March 24, 1893, but did not begin operations so far as I have been able to ascertain until some time during 1896. J. C. McMullen was president, and R. J. McMullen was cashier. It started with \$100,000 capital fully paid up. Some time during the latter part of 1898 or the early part of 1899, it changed its title to the State Savings Bank. It was sold to the Central Bank of Oakland on March 31, 1923. The Merchants National Bank of San Diego was incorporated April 12, 1893, with M. A. Weir, president, and F. L. Hilton, cashier. It began with a capital of \$100,000 fully paid up, and because it had just opened when the panic of 1893 reached California, it had no difficulty whatsoever in surviving the storm. It was sold to the Bank of Italy on December 18, 1922. The Bank of Santa Monica, which had previously been the First National Bank of that city, was incorporated as a state banking institution on April 14, 1893. R. F. Jones was president, and E. J. Vawter, Jr., cashier. It was capitalized at \$50,000, a little more than one-third of that amount being paid in. On May 26, 1909, it purchased the Santa Monica Savings Bank, and on February 21, 1922, it was sold to the California Bank of Los Angeles and continued as a branch of that institution. The Commercial Bank of Madera was chartered April 25, 1893, with R. Roberts, president, and E. H. Cox, cashier. It was capitalized at

\$300,000, of which about one-third was paid in. On May 16, 1912, it nationalized its commercial department as the Commercial National Bank of Madera. On April 17, 1912, it sold its savings department to the Madera Savings Bank, which had been incorporated on February 29, 1912. Both the Commercial National Bank of Madera and the Madera Savings Bank were sold to the Bank of Italy on July 14, 1917. The Producers Bank of Visalia, which had been operated for some time as a private bank under the title of Harrell & Son, became a state bank on May 29, 1893, with W. F. Thomas, president, and S. Mitchell, cashier. It had a capital of \$250,000, with a little less than one-fifth of that amount paid in. Some time during the latter part of 1903 or the early part of 1904, it became the First National Bank of Visalia. On July 1, 1922, the latter and its affiliated Producers Savings Bank, which had been established on December 30, 1905, were sold to the Pacific Southwest Trust & Savings Bank of Los Angeles. The Santa Clara Valley Bank of Santa Clara was chartered May 31, 1893, with a paid up capital of \$118,000. D. Henderson was president, and W. M. Burnap, cashier. It was sold to the Bank of Italy, February 11, 1916.

On June 14, 1893, the Riverside Banking Company at Riverside closed its doors. The panic of 1893 had at last reached California. For many months, in fact during the preceding three years, observant business men and bankers had considered a crash and business depression to be inevitable. The failure of the firm of Baring Brothers of London in 1890, and the accompanying developments, had created a panicky feeling in the financial world both in Europe and in the United States. European investors had hastened to sell their American securities and demand gold for export. The gold holdings of the United States Treasury dwindled away. The workings of the silver purchase acts of 1878 and 1890 resulted in forcing large quantities of silver dollars and silver certificates into circulation, and caused a fear to arise that the United States would not be able to maintain itself upon a gold basis. The increase in governmental expenditures, the decrease in governmental receipts caused by lowered custom duties, the necessity of our merchants and bankers making large payments abroad as a consequence of an unfavorable balance of trade, all caused a drain upon the gold holdings of the treasury department. As the gold reserves sank lower and lower, finally

falling below \$100,000,000 on April 22, 1893, the apprehension relative to the ability of the United States to maintain a gold basis developed into a panic. During the first week in May a selling orgy struck the New York Stock Exchange, causing a sharp decline in values. Investors and speculators hastened to liquidate. A general distrust of the solvency of our national government and of the financial institutions of the country followed. Bank depositors clamored for their funds.. Runs occurred on many banks with established reputations, resulting in a number of failures. Clearing house loan certificates were issued to affiliated banks by the clearing houses of Boston, New York, Philadelphia, Baltimore, Pittsburgh and San Francisco. Mercantile establishments, factories and mines were forced to the wall. Unemployment stalked throughout the country. Coxey's Army slowly made its way to Washington, but to no avail. The turning point for the country as a whole came in August, but it was several years before affairs got back into their normal stride.

When the wreckage of the panic of 1893 was cleared away and a study made of the results, it was found that it had caused 15,242 mercantile firms to fail with total losses of \$346,779,889, and 642 banks to close their doors with liabilities of \$210,998,808. Eighty-one of those banks were located in the Pacific Coast states. For the United States as a whole, during the first eight months of 1893, 172 state chartered commercial banks, 47 savings banks, 13 loan and trust companies, and 177 private banks had closed with liabilities of \$96,403,530. Up to October 3, 1893, 158 national banks had suspended operations, but 86 of that number later reopened. Six of the national banks that closed were operating in California, but only one of that number failed to resume operations after the storm had passed. During the first eight months of the year, 19 California state chartered commercial banks suspended, with liabilities of \$5,035,723 and two California savings banks suspended with liabilities of \$2,539,804. However, twelve of the California commercial banks and one of the savings banks later reopened. California was second in rank among all the states of the union in the number of commercial and savings bank failures, being exceeded only by Kansas.

In 1890, the bank clearings of San Francisco had totaled \$851,066,172, and the following year they had increased to \$892,426,712. In 1892, they showed a slight decrease to \$815,368,724.

As a result of the panic of 1893, bank clearings in San Francisco dropped to \$699,285,777, and in 1894, they further decreased to \$658,526,806, the lowest level reached after 1886, when they had amounted to \$642,221,391. The returns of the Los Angeles Clearing House, however, told a different story, undoubtedly due to the growth in population and the expansion of business in that community. In 1890, the Los Angeles Clearing House reported total clearings of \$31,019,721. In 1892, these figures had increased to \$39,529,902, and in 1893, the year of the panic, they were \$45,230,725. In 1894, they fell off slightly to \$44,669,100. The exports from San Francisco were likewise greatly affected by the panic of 1893. In 1891, the exports of that port had amounted to about \$54,000,000; in 1893, they decreased to less than \$33,000,000, and in 1894, to about \$26,000,000. In 1895, a slight recovery took place, but it was not until 1904 that its exports again exceeded the \$50,000,000 mark.

California, being primarily an agricultural community, suffered severely from the continued decline in prices, especially in those of products sold abroad. Grain and wheat commanded extremely low prices. As has already been noted, agriculture had been forced to give way slightly to horticulture, which had become increasingly important during the '80s. Low prices also made it impossible for the grape and fruit interests to obtain a satisfactory return upon their investments. Inasmuch as most of the bank loans of those days were made to farmers, the interests of both bankers and farmers were disastrously affected.

The failure of the Riverside Banking Company frightened the depositors of Los Angeles and nearby cities. On June 21, 1893, the Broadway Bank, the First National Bank, the East Side Bank and the Southern California National Bank, all of Los Angeles, closed their doors, or to describe the situation a little more accurately, they did not open for business on that day. The immediate cause was the forced suspension on the preceding day of the City Bank and the University Bank, both of Los Angeles. It was urged that there was no necessity for a banking panic. But, the depositors had become frightened and demanded their money. One of the local observers characterized the situation as "an epidemic of financial insanity." On June 21, a large crowd, about two blocks long, gathered before the Los Angeles National Bank, waiting for the opening hour of 10 o'clock to arrive. Just before the

doors were to be opened, Major Bonebrake, its president, appeared and harangued the crowd, declaring that the bank had withstood the run for two days and that, if the depositors wished to withdraw their money immediately, he proposed to keep his institution open until the last depositor was paid. A notice was posted, however, asking the depositors to give their consent to the payment of only a percentage of their claims, and the bank remained open. It had paid out about \$500,000 during the preceding two days. The Southern California National Bank was located diagonally across the street from the Los Angeles National Bank. At 10 o'clock on June 21, it posted a notice announcing that it would remain closed. On June 20, this bank had paid out approximately \$100,000. It was declared to be in a solvent condition, but the greater part of its funds were held in New York, Chicago and San Francisco. The Broadway Bank, which was a small institution with only \$25,000 in deposits, and the East Side Bank, which was also a small bank, both announced that they would close.

I. W. Hellman, upon being advised of the banking panic, hastened from San Francisco, and arrived on June 21, with \$250,000 in gold, which was carted immediately to the Farmers & Merchants Bank. Up to 11 o'clock that day, six tellers were kept busy paying out coin to those who wished to withdraw their accounts. When it was seen that plenty of money was available, the demand subsided, and many redeposited their funds. The redepositing continued at such a rate that the bank was practically unable to handle its customers. The center of the excitement, however, was the First National Bank of Los Angeles. It had always been considered one of the soundest institutions in Los Angeles. There was no doubt in the minds of the public but that it would be able, in time, to meet all of the demands made upon it, but at the particular instant when the depositors desired to withdraw their money, the funds were not on hand. Consequently, the First National Bank posted a notice at 10 o'clock on June 21, announcing its suspension. Liability to depositors was listed at \$1,250,000, with assets, according to President Elliott, of more than half a million in excess of that amount. President Elliott also announced that the bank would undoubtedly reopen within ten days. The Bank of America, the National Bank of California, the State Loan & Trust Company, the California Bank, the Farmers & Merchants Bank, and the Citizens Bank, all kept their doors open and con-

tinued to operate as usual. The savings banks of Los Angeles, however, fell back upon their prerogative of requiring a notice from depositors before permitting the withdrawal of funds, and thus were placed in no immediate danger.

In San Diego, on June 21, all banks opened at the usual hour. During the first half hour of the day's operations, there was only the usual amount of business transacted. Then came the rush of depositors clamoring for their funds. They undoubtedly had become alarmed because of the banking crisis in Los Angeles. Several large checks were presented to the Consolidated National Bank, which asked for time before making payment. A rumor flashed about town that the Consolidated National Bank might close, whereupon a run occurred, forcing the suspension of the Consolidated National Bank and its affiliated institutions, the Savings Bank of San Diego and the Pacific Loan & Trust Company. Runs were also made on the First National Bank, the Bank of Commerce, and the San Diego Savings Bank. The First National Bank closed its doors at 1 o'clock. The San Diego Savings Bank was located in the same quarters with the First National Bank and was thought to have failed at the time that the latter announced its suspension. It kept open, however, and at no time during the panic did it suspend. The run upon the San Diego Bank of Commerce continued until the closing hour. The Merchants National Bank, having been operating for only a few months, and having its capital practically intact, inspired confidence among the San Diegans, with the result that they almost immediately began to open up accounts with it, depositing the funds that they had taken out of the other local banks. The Bank of Anaheim also closed its doors on June 21.

Fortunately the banks of San Francisco were not as seriously affected as were those of Los Angeles and San Diego. On June 21, the San Francisco Clearing House passed a resolution, permitting banks to pay their balances by means of clearing house loan certificates secured by a wide margin of collateral deposited by them with the loan committee of the clearing house. This freed a large amount of cash for the banks to use over the counter in meeting the demands of their depositors, and went far in allaying the suspicions of the public. Any San Francisco bank, which was in a satisfactory condition, could easily have weathered the panic, but two banks, the Pacific Bank and its affiliated institution, the Peo-

ples Home Savings Bank, were not so situated. The Pacific Bank, the first incorporated commercial bank in the state, had been operated for many years under the presidency of Peter Burnett, and had been known as one of the most solid financial institutions in San Francisco. Later, it came under the domination of the McDonald family, which did not continue to live up to the ideals established by Burnett and his associates, at least so far as banking methods and practices were concerned. In December, 1892, the bank commissioners had requested the attorney general of the State to bring action to close the Pacific Bank because of improper banking methods. The attorney general hesitated to do so, however, for fear of forcing both the Pacific Bank and the Peoples Home Savings Bank to the wall. The Pacific Bank closed on June 22. It requested the clearing house to extend aid to the extent of \$300,000, provided that it could be shown that that amount would be sufficient to insure adequate relief. The clearing house, however, felt that the sum requested would not be ample and refused to aid the crippled institution. The bank, therefore, remained closed, and it was this that also forced the suspension of the Peoples Home Savings Bank on June 23. Crowds gathered around the doors of both banks. Slight runs were also made on the San Francisco Savings Union and the Hibernia Savings & Loan Society. These two institutions, however, had no difficulty in meeting the demands of their depositors.

On June 24, the bank commissioners announced that about a year earlier they had made a careful investigation of the affairs of the Pacific Bank and had found it to be in a very unsatisfactory condition, whereupon recommendations had been made that its bad assets should be written off and that certain other steps be taken to put its house in order. An examination, made somewhat later, had disclosed the fact that many of the suggestions had not been taken seriously. The Peoples Home Savings Bank had served primarily as a feeder for the Pacific Bank, which used a large proportion of the funds obtained by the former from its depositors. On the day of the failure, the Pacific Bank announced that it had resources of \$2,095,177, and total liabilities of \$1,848,041. An examination of the affairs of the latter bank disclosed that it had invested approximately \$580,000 in the bonds of the Los Angeles Electric Company, which at that time were worth about one-fourth of their face value. It had also advanced about

\$1,000,000 to the Phoenix Street Car Line, which investment was worth about \$200,000. It had also sunk a large amount of money in the John Brown Colony and \$130,000 in the Mohawk Canal. It had loaned \$20,000 to the Colton Marble Works without adequate security. Other investments of an unsound and reckless character had been made in the Alaska Company, the California Fruit and Raisin Growers Association and other highly speculative enterprises. The Pacific Bank and the Peoples Home Savings Bank did not reopen. No other banks in San Francisco were seriously affected.

In Los Angeles, after the subsidence of the first rush of the depositors for their funds, the banks were able to make plans for reopening. The Broadway Bank announced that it hoped to reopen in a week's time. The East Side Bank stated that it would resume operations in about four days. The Board of Trade of Los Angeles met and its members, representing approximately \$20,000,000 capital, agreed not to withdraw any money from the local banks other than that which was absolutely required. Confidence was also expressed in the solvency of the local institutions. In adopting this policy, the Los Angeles business men followed the example of the business firms of Pasadena, which had met on June 19, and had agreed to do everything in their power to inspire confidence in the local institutions. None of the half dozen banks in the latter city experienced any difficulty in caring for the needs of their depositors.

According to the Los Angeles *Examiner*, the panic, which was "one of the most remarkable money panics in the history of Los Angeles, ended" at about noon on June 22. The situation appeared to be most favorable, with many of the banks operating as usual. Major Bonebrake had again announced to the assembled crowds that the Los Angeles National Bank was in a perfectly solvent condition, and that it had paid out \$600,000 in two days' time. His announcement had the effect of dissipating the string of depositors that had earlier crowded the bank's corridors. The Bank of America had received a remittance of \$1,000,000 in cash from San Francisco. President Elliott of the First National Bank announced plans for the reorganization of that institution, and promised that its doors would be opened shortly. The faith that the people of Los Angeles had in the solvency of the latter institution was evidenced by the fact that when

an additional \$200,000 of capital stock was opened for subscription at \$1,000 a share, for the purpose of providing cash with which to enable the bank to reopen, the stock was sold without difficulty. When the final count was taken, it was found that only the City Bank had to be declared insolvent. The Bank of America and the University Bank both went through voluntary bankruptcy and paid all claims in full.

In San Diego, the Consolidated National Bank and the Savings Bank of San Diego, together with the Pacific Loan & Trust Company, were the only institutions that did not reopen. The Merchants National Bank and the San Diego Savings Bank came through the panic unscathed. The First National Bank and the Bank of Commerce remained closed for only a short time. The banking interests of San Diego were again put to a severe test during the period of the drought in 1897, when, for three months, there was not a drop of water in any of the county's reservoirs. About 1900, however, affairs began to get back to normal.

In the outlying districts, although many country banks were hard pressed for funds, it is really surprising, considering all the circumstances, that so few failures occurred, although needless to say, the list was sufficiently large. The First National Bank of Santa Ana closed its doors at about 10 o'clock on June 22. In about five minutes a notice of suspension was posted by the Commercial Bank of that city. A slight run was also made on the Orange County Savings Bank. In the town of Orange, the Bank of Orange, which was owned by the stockholders of the Commercial Bank of Santa Ana, likewise suspended. The Bank of Escondido closed temporarily. The Peoples Bank of National City remained open in the face of a very serious run. The Farmers Exchange Bank of San Bernardino also closed temporarily and thus started a run on the First National Bank of that city. Both of these institutions, however, later reopened, but the First National was finally forced to liquidate on January 29, 1895, paying approximately 66 per cent of all claims. The Bank of Anaheim, which closed on June 21, retired permanently, although later paying all claims in full. The Riverside Banking Company paid nothing to its depositors. The Bank of Oceanside, the Bank of Sanger, the Bank of Benicia, the Antelope Valley Bank of Lancaster, the California State Savings Bank of Monterey, the Bank of Santa Clara County at Santa Clara, the Bank of San Miguel

and the private bank of the Laugenour Banking Company of Dunigan, all voluntarily retired. In practically all of these cases depositors were paid in full. The private bank of O. W. Hollenbeck at Auburn failed. The Bank of Madera did not open on June 23, although it announced the next day that it hoped to reopen within a week's time. It remained closed, however, finally paying all claims in full. On June 24, the Fresno Loan & Savings Bank announced that, owing to its inability to secure expected funds, it would not open its doors. The merchants of Fresno immediately posted notices to the effect that they would take checks on any bank of Fresno with the result that other institutions in that city were not affected by the enforced closing of the Fresno Loan & Savings Bank. The latter reopened, but about a year later voluntarily liquidated, paying all claims in full. There was also a short-lived run on the Vallejo Commercial Bank which was successfully met.

The toll of the panic of 1893 continued to be taken during the next few years. Many banks, that were able to postpone the effects of the crash of June, 1893, succumbed as months passed. The Bank of Mendocino and the California Savings & Loan Society of San Francisco voluntarily retired some time during the latter part of 1894 or the early part of 1895. The Bank of Mendocino paid sixty cents on the dollar. During the fiscal year of 1895-96, four commercial banks were forced to close, i. e., the Fallbrook Bank, the Bank of Lincoln, the Grangers Bank of San Francisco and the Perris Valley Bank. The last mentioned bank was declared insolvent on December 9, 1895, as the result of a correspondent bank calling a loan which the Perris Valley Bank could not pay. The Grangers Bank of San Francisco closed on December 10, 1895. On December 9, the bank commissioners had examined its books and had charged off certain assets of doubtful character. The directors thereupon decided to liquidate. One savings bank, i. e., the Riverside Savings & Loan Association, also voluntarily closed, as did the Riverside National Bank and the Needles National Bank (January 19, 1895). During the fiscal year of 1896-97, the Bank of National City and the Randall Banking Company of Eureka suspended. The Bank of National City paid its depositors in full.

During the months of 1893, following the panic, very few banks were established in California. On June 26, 1893, the Gar-

den City National Bank of San Jose became the Garden City Bank & Trust Company with a capital of \$500,000, of which practically \$200,000 was paid in at the time of incorporation. Rush McComas was president, and T. F. Morrison, cashier. On November 26, 1913, it added a trust department. It purchased the Saratoga State Bank on December 28, 1917, the First National Bank of Gilroy on January 10, 1918, and the Bank of Campbell on January 24, 1918. It was sold to the Mercantile Trust Company of San Francisco on October 21, 1922. The Citizens Bank of Anaheim was incorporated on October 18, 1893, with H. Cohen, president, and L. Goldwater, cashier. It was capitalized at \$100,000, one-fifth of which was paid in. Some time during 1902-1903 it became the First National Bank of Anaheim. The Blochman Banking Company of San Diego began operations on November 27, 1893, as a private banking company. A. Blochman and his son, L. A. Blochman, were respectively manager and cashier. The former first arrived in San Diego in 1851 on his way to San Francisco. In the latter city, he became vice president and manager of one of the French savings banks. His son, L. A. Blochman, had been associated with the Commercial Bank of San Luis Obispo. The Blochman Banking Company was for a long time practically the only institution in Southern California drawing directly on correspondents in Mexico, as a consequence of which many banks transacted a considerable portion of their Mexican business through that institution. C. Blochman was also a partner in this banking concern. On August 14, 1913, it was incorporated as the Blochman Commercial & Savings Bank. On August 5, 1914, its title was again changed to the Security Commercial & Savings Bank of San Diego.

On December 13, 1893, the Andrews Banking Company of San Luis Obispo was incorporated with an authorized capitalization of \$300,000, of which \$77,750 was paid in. This bank was organized primarily through the efforts of J. P. Andrews, who became its first president. J. W. Smith was cashier. Andrews had been born in North Carolina in 1824, and had arrived in California in 1857, going at that time into the mines of Plumas County to seek his fortune. Being disappointed in the mines, he settled in San Luis Obispo County in 1859, where he was active in dairying and stock raising. So successful was he in agricultural activities that by 1870 he settled in San Luis Obispo and

engaged in business. He was one of the large stockholders in the Bank of San Luis Obispo, incorporated August 20, 1873, and became its president in 1877. In 1890, he withdrew from the Bank of San Luis Obispo and became active in the affairs of the First National Bank of that city. He served as its president until 1893, when he resigned to establish the above banking house carrying his own name. The Andrews Banking Company was sold to the Commercial Bank of San Luis Obispo, May 2, 1913, and the latter with branches at Atascadero and Paso Robles was merged with the Pacific Trust & Savings Bank of Los Angeles on February 17, 1923. The Capital Banking & Trust Company of Sacramento was chartered on December 28, 1893, by Sparrow Smith and W. W. Bassett, the former acting as president, the latter as cashier. For some reason or other, the State bank commissioners would not permit this corporation to operate as a state bank and trust company. Consequently the parties concerned established a private bank under the same title. The corporation was kept alive, however, by the payment of the legally required franchise taxes, and the private banking firm, operating under the same title, carried on regular banking operations. On December 10, 1906, the business was sold to Alden Anderson and associates, and a license was granted to operate as an incorporated bank under the existing statutes. It continued to conduct its affairs as a state bank until November 28, 1911, when it became the Capital National Bank with a capital stock of \$100,000. A trust department was opened in 1920.

During the latter part of 1893 or the early months of 1894, it not being possible to obtain the exact dates, three private banks were established in California. W. L. Crooks was the owner of the Peoples Bank of Benicia. This institution had a working capital of \$10,000. It was incorporated as the Peoples Bank of Benicia, June 1, 1904, with a paid up capital stock of \$30,000. W. L. Crooks was president, and J. Kullman, cashier. It was sold to the Central Bank of Vallejo on December 10, 1919, and continued as a branch of that institution. The private bank of J. Frank & Sons owned by J. Frank, F. Frank and M. Frank, opened at Calistoga, and operated with a capital stock of approximately \$66,500. F. Frank was cashier. It retired some time during 1897-98. C. A. Stevens of Calistoga also established a private bank during this period. It was incorporated, July 23,

1904, as the Bank of Calistoga and was closed by the bank commissioners, May 22, 1908.

The bank commissioners on July 1, 1894, reported that one savings bank, 8 commercial banks and 4 private banks had opened for business during the fiscal year ending on that date, and that during the same period 2 savings banks, 8 commercial banks, 2 private banks and 2 national banks had retired from the field. This represented a net loss of one bank for the fiscal year. California at that time had 283 banks, 60 of which were savings banks, 166 were state chartered commercial banks, 35 were national banks, 17 were private banks and 5 were agencies of foreign banking houses.

The first bank to be organized during 1894 was the Bank of Gonzales, which was chartered on January 16, 1894, with A. Wideman, president, and W. Sarles, cashier. It was capitalized at \$125,000, but only \$35,400 of that amount was paid in. On March 30, 1917, this institution was consolidated with the Monterey County Bank of Salinas and continued as a branch of the latter. The second bank to be organized during the year found conditions to be unsatisfactory and was not able to remain long in the field. That institution, the Bank of Lincoln, was chartered on April 24, 1894, with a capital of \$50,000, one-fifth of which was paid in. J. M. Wiles was president, and J. W. Hinds, cashier. It was forced to liquidate its affairs within a year, paying all claims in full. The San Mateo Bank was incorporated on July 9, 1894, with James D. Brynes, president, and P. M. Roedel, cashier. It was capitalized at \$200,000, a little more than one-tenth of which was paid in at the time it opened. It was sold to the Bank of Italy on December 31, 1912. The First National Bank of Petaluma became the Wickersham Banking Company on September 11, 1894. I. G. Wickersham was president, and H. H. Atwater, cashier. It began with a capital of \$200,000 fully paid up. On June 1, 1910, it was sold to the Petaluma Swiss-American Bank. The Bank of Whittier, with J. M. C. Marble, president, and W. Hadley, cashier, was incorporated on November 26, 1894, with a capitalization of \$25,000, not quite one-fifth of which was paid in. Washington Hadley was later elevated to the presidency of this institution and of its successor the First National Bank of Whittier (chartered some time during 1900-01), and remained president of the latter until he had reached the advanced age of

ninety-two years, earning for himself the reputation of being the oldest bank president in the United States. He died, December 21, 1911, at the age of ninety-four. At the time of his death he was president of the Whittier Savings Bank. Some time during 1900-01, the Bank of Whittier became the First National Bank of Whittier.

Two private banks were established some time during the latter part of 1894 or the early part of 1895. These were the firms of J. W. Surface & Son of Ione, and the Bank of E. Cooke Smith of Pacific Grove. The former firm was composed of J. W. Surface and his son Jacob, and began operations with approximately \$20,000 on hand. It was sold to the Sacramento Valley Trust Company on May 10, 1912. The Bank of E. Cooke Smith started out with about \$19,000 capital. Some time during 1900-1901, the firm's name was changed to E. Cooke Smith, Banker. Later, however, it resumed its former name, and on December 26, 1906, was incorporated under that title with a capital stock of \$50,000 paid up. E. C. Smith was president, and C. D. Smith, cashier. On September 25, 1924, it changed its title to Security State Bank of Pacific Grove.

Although the report of the bank commissioners for the fiscal year ending July 1, 1895, disclosed a decrease of four in the number of banks operating within the state, nevertheless there had been a net gain in banking resources during that period of \$11,826,658. The money of the state was beginning to flow back into the banks as the people regained confidence in the solvency of those institutions. The commissioners recommended that the banking law be amended so as to prohibit savings banks from being conducted in the same room as commercial banks and governed by the same officers. They declared "the practice to be pernicious, and fraught with danger", and cited the provisions of the banking law of the State of New York in support of their contention. The Legislature has never since that time seen fit to pass a statute prohibiting that practice which the bank commissioners at that time so thoroughly condemned. They also urged the Legislature to limit the account of a depositor in a savings bank to \$5,000. They also recommended that officers, directors or employees of commercial banks should be prohibited from borrowing from their bank any sum in excess of 10 per cent of the paid-up capital of that institution.

Although the Legislature did not take the above recommendations seriously, it did, however, make certain changes in the Bank Act of 1878 which were approved by the governor on March 26, 1895. The Bank Act as amended required that the bank commissioners should examine banks but once a year. No corporation was to use the word "bank" in its title or to operate as a commercial or savings bank unless it had obtained a banking license from the bank commissioners. The bank commissioners were to have the legal right to require reports from banks which were being liquidated. Banks, which the commissioners deemed to be in an unsafe condition, were to be warned, and, if the warning were not heeded by the bank in question, it was then to be taken over by the commissioners and liquidated. The amended law also required that banks, which had been closed, were to be completely liquidated within a period of four years, although an extension of time might be granted by the commissioners. Private banks were to report to the commissioners at least three times a year, or more frequently if requested by the commissioners. Several new sections were added to the Bank Act. One of them prohibited a savings bank from being licensed unless it had a minimum capital of at least \$25,000 for cities having a population of 5,000 or less, \$50,000 for cities ranging from 5,000 to 10,000, \$100,000 for cities ranging from 10,000 to 25,000, and \$200,000 for savings banks in all cities over 25,000. All of the required capital stock had to be subscribed, and at least one-half had to be paid in before the bank could be licensed to operate. The remaining one-half had to be paid in within two years. Another new provision compelled all savings banks with capital stock to carry semi-annually to a surplus or reserve fund at least one-tenth of their net profits before declaring dividends, such payments to be made until the surplus or reserve fund equaled 25 per cent of the paid up capital stock. Another section prohibited both commercial and savings banks from publishing any statement regarding their capital stock unless the amount of capital stock actually paid up was also stated. The use of the word "bank", or any other word denoting the conduct of the business of banking, and the use of the word "savings" alone or in connection with other words denoting the conduct of the business of a savings institution, was to be reserved for only those persons, firms or corporations operating under the supervision of the bank commissioners

and required to report to them. All of the above provisions carried heavy penalty for any violations thereof. These amendments marked the first real progress that had been made in the banking laws of the State since the passage of the Bank Act of 1878.

Practically all of the banks that were organized in 1895 were located in the southern part of the state. The Union Savings Bank of Pasadena was incorporated on February 1, 1895. R. Eason was president, and C. A. Smith, cashier. It was capitalized at \$50,000, approximately one-fourth of which was paid in. This bank was for some years the only *bona fide* savings bank in Pasadena. On January 20, 1912, it added a commercial department, which was sold on May 9, 1912, to the Union National Bank, owned by the same stockholders. On January 31, 1912, it purchased the San Gabriel Valley Bank of Pasadena. A few months later, i. e., May 18, 1912, it added a trust department, and on May 21, 1912, changed its title to the Union Trust & Savings Bank of Pasadena. On June 13, 1921, it was sold to the Los Angeles Trust & Savings Bank, which five days later also took over the affiliated Union National Bank of Pasadena.

The only San Francisco banking house to be incorporated in 1895, was the Bank of Commerce, which was the second institution in that city to bear that title. It was chartered May 23, 1895, with H. F. Emeric, president, and W. C. Murdock, cashier. Only \$30,000 of its \$250,000 capital stock was paid in. This institution became the Western National Bank in 1901, with a capital stock of \$500,000 paid up. On October 1, 1909, it absorbed the National Bank of the Pacific of San Francisco, which had been organized in 1905, and on October 31, 1910, its stockholders purchased the assets of the Metropolis Trust & Savings Bank. The savings business of the latter was continued under the title of the Western Metropolis Savings Bank until August 6, 1915, when the charter expired and the bank voluntarily liquidated. The title of the Western National Bank was changed to the Western Metropolis National Bank. The latter purchased the City and County Bank of San Francisco on February 28, 1911, and consolidated with the Merchants National Bank under the title of the latter on May 31, 1912. The Merchants National Bank was merged into the Sacramento-San Joaquin Bank of Sacramento on January 1, 1923. The latter became the United Bank & Trust Company on March 13, 1923, with head offices in San Francisco.

The Exchange Bank of Santa Ana was chartered on July 22, 1895, with M. M. Crookshank, president, and R. F. Chilton, cashier. It was capitalized at \$50,000, with about two-thirds of that amount paid in. This bank retired in 1900, paying all claims in full. As has been mentioned before, the Herbert Kraft Company of Red Bluff, which had operated for years as a private banking house, incorporated on April 24, 1895, with Herbert Kraft, president, and G. H. Kraft, cashier, and with a fully paid up capital stock of \$200,000. The bank voluntarily ceased operations, February 17, 1912, owing to the retirement of its owners from active participation in the business life of the community. Its assets were taken over by the Red Bluff National Bank, which later became the First National Bank of Red Bluff. The Fruit Growers Bank of Fullerton, with B. G. Balcom, president, was chartered August 15, 1895, with a capital of \$25,000, more than one-half of which was paid up. Some time during 1900-01, it became the First National Bank of Fullerton. It was sold to the Pacific Southwest Trust & Savings Bank of Los Angeles on November 1, 1924. The Covina Bank was chartered on December 10, 1895, with about one-half of its capital stock of \$25,000 paid up. W. R. Powell was president, and P. C. Daniels, cashier. The times were not propitious for the continuance of this institution, and it voluntarily retired some time during 1897-98, paying all claims in full.

The report of the bank commissioners for the fiscal year ending September 1, 1896, disclosed 282 banks operating in California, a net gain of three over the preceding year. Of this number, 57 were savings banks, 169 were state chartered commercial banks, 31 were national banks, 20 were private banks and 5 were foreign banks. The incorporated state commercial banks reported an aggregate reduction of over \$8,000,000 in resources from June 17, 1895, to July 31, 1896. This was partly accounted for by the withdrawal of \$2,575,607 in county or public money, but the greater part of the loss had been caused by the fear of the people, regarding the possible outcome of the campaign of 1896. It was thought that the election of Bryan and his free silver candidates might bring about another crash, or at least a financial depression, so the Californians withdrew large amounts of money from the banks of the state. The depositors of savings banks, however, appeared to be less timid and only slightly decreased their accounts. The bank commissioners again unani-

mously recommended that commercial banks be restricted solely to the commercial banking business. There should be no merging of one kind of banking business with another. They also urged that the law be amended so as to permit the court to appoint a receiver to take charge of an insolvent bank, but that the commission should have the power to fix his salary and to determine the number of additional employees and their salaries. The commissioners undoubtedly had felt for some time that the reports received from certain banks had not been truthfully prepared, for they asked that the law be amended so as to require the president and the secretary as well as a majority of the board of directors of a bank to verify the report under oath. They also asked that in the case of commercial banks at least three members of the board of directors be required to approve all loans made to officers or directors, and endorse such approval upon the note executed to the bank, and that at no time should any of them be interested directly or indirectly in such loans. Again, their recommendations fell upon deaf ears.

Only three state banks were chartered in 1896. The Bank of Long Beach was incorporated in April, 1896, with J. Bixby, president, and P. E. Hatch, cashier. It had a capital stock of \$25,000, of which \$12,500 was paid in. It was nationalized as the National Bank of Long Beach on March 26, 1903, and was consolidated with the Long Beach Trust & Savings Bank on February 26, 1921, under the title and charter of the latter, which in its turn was merged with the Security Trust & Savings Bank of Los Angeles on December 3, 1921. The Bank of Campbell was chartered on July 13, 1896, with a capital of \$50,000. The first officers of whom I have any record were Samuel F. Cooper, president, and J. F. Duncan, cashier. It was sold to the Garden City Bank & Trust Company of San Jose on January 24, 1918. The latter in its turn was sold to the Mercantile Trust Company of San Francisco on October 21, 1922, and the former Bank of Campbell became the Campbell Branch of the Mercantile Trust Company. The Bank of Amador County at Jackson was the third and last bank to be incorporated during the year. It was chartered on November 18, 1896, but did not open for business until May 1, 1897. The first officers of whom I have record were Henry Eudey, president, and F. Eudey, cashier. It had a capital

of \$50,000, more than one-half of which was paid in. A savings department was added February 28, 1917.

Three private institutions were organized either during the latter part of 1896 or the early part of 1897. The first of these was the Bank of James A. Costa & Company of San Jose with James A. Costa and Mary E. Costa as proprietors. The latter acted as cashier. This was a small private banking house and reported a capital of only \$4,000. It retired some time during 1912-13. The private banking house of J. W. Brown of Downieville survived for a very few months and left no record of its activities. Some time during 1896, an agency of the Swiss American Bank of Locarno (*Banca Svizzera Americana* of Locarno) was opened in San Francisco. This bank had been incorporated under the laws of Switzerland, September 13, 1896, with a capital stock of \$1,000,000, \$300,000 of which was paid in. Brunner, Martin & Tognazzini were in charge of the bank as agents of the home office. A. Bauer was cashier. On July 16, 1909, the Central Trust Company of California located in San Francisco purchased the assets of the San Francisco agency of the *Banca Svizzera Americana*, and later transferred the savings business of the latter to the Swiss American Bank which had been incorporated for that purpose on August 10, 1909. The Swiss American Bank was sold to the Anglo-California Trust Company on June 29, 1912.

In their report of September 25, 1897, the State bank commissioners listed 281 state, national and foreign banks in active operation. Nineteen banks were still in process of liquidation. The commissioners again strongly urged the Legislature to amend the banking law so as to assist in preventing future bank failures. They declared that they had again and again not only laid the matter before the governor and the Legislature, but that they had also personally appeared before the state conventions of the California Bankers Association and had plead that something be done to restrict the practices and privileges of bank officers and directors. They expressed the hope that bank directors should not only become more familiar with their duties and responsibilities, but that the law should require them to make a personal examination of all the affairs and the condition of their banks at least twice a year and to certify their findings under oath to the bank commissioners. Directors should be compelled

to pass upon loans and to inquire carefully into the security offered, and if this were done many of the worthless loans made to the officers of the bank would be prevented and one of the common causes of bank failures would thus be removed. They also asked the Legislature to pass a law forbidding bank officers to overdraw their accounts unless authorized to do so by the board of directors, and then only when such overdrafts were amply secured. They also urged that officers or directors of commercial banks be limited in borrowing from their own institution. The law prohibited officers of savings banks from borrowing from the bank over which they presided, and it was felt that a similar limitation should also apply to the officers of commercial banks.

Only one state bank was incorporated in California during 1897, and that was the Union Safe Deposit & Loan Company of Stockton, chartered April 21, 1897. It did not, however, carry on any banking business until August 15, 1906. During the intervening years it operated as a safe deposit company. It had an authorized capital stock of \$500,000, of which \$38,666 was paid in at the time it opened as a banking house. The first officers were T. A. Nelson, president, and John D. Maxey, cashier. It later changed its title to the Union Safe Deposit Bank. Three private banking houses came into the field some time during the latter part of 1897 or the early part of 1898. The first of these, the American Exchange Bank of San Diego, lasted for only a few months and left no records. The Citizens Bank of Sonora had as its proprietors Thomas W. Wells, M. J. Wells, and W. M. Harrington. T. W. Wells was manager. It retired some time during 1901-2. A. J. Clark of Fallbrook set himself up as a private banker, but retired ten years later following the financial stringency of 1907.

The bank commissioners on September 30, 1898, reported to the governor that 288 banks were at that time operating in California. Of that number, 176 were state commercial banks, 55 were savings banks, 34 were national banks, and 23 were private banks. Improved financial and industrial conditions were shown by the fact that deposits had increased during the preceding fiscal year by \$26,227,683, while total assets had also increased by \$28,477,075. The commissioners had undoubtedly become convinced that it was hopeless to make recommendations to the State Legislature regarding needed legislation, for they merely re-

peated their earlier request that banks in liquidation be placed under a receiver appointed by the court, with salary fixed by the commissioners.

The detailed reports of the bank commissioners for 1897 and 1898 were not published, only a brief summary appearing in their 1899 report. Consequently it is not possible to give with any degree of assurance the names of the first officers and the capital of each bank incorporated during those two years. It has been deemed advisable, however, to do the next best thing, i. e., to give the names of the officers and the capital stock appearing in the reports of the banks filed with the commissioners on July 31, 1899. There is a possibility that some changes may have occurred in the period elapsing from the date of incorporation to the date of the first published report, but for the most part it has been found that bank officials serve for a considerable period of time.

During 1898, four state banks were incorporated. The first of these was the Commercial Bank of North Ontario, chartered March 29, with J. L. Paul, president, and M. F. Palmer, cashier. It began with a capital stock of \$25,000, one-half of which was paid up. Later the town of North Ontario became Upland, and the bank therefore became the Commercial Bank of Upland. It was nationalized as the Commercial National Bank of Upland on October 29, 1909. The Covina Valley Bank was chartered April 8, 1898, with C. H. Ruddock, president, and F. M. Douglas, cashier. It had a capital of \$25,000, one-half of which was paid in. On March 27, 1901, it became the First National Bank of Covina. The Citizens Bank of Santa Clara was chartered April 30, 1898, with H. G. Bond, president, and E. F. Jordan, cashier. It had a capital of \$100,000, one-half of which was paid in. It retired some time during 1902-3. The Tuolumne County Bank of Sonora was chartered May 12, 1898, with a paid-up capital of \$50,000. F. W. Street was president, and E. D. Wolfe was cashier. It was organized for the purpose of taking over the business of the local branch of the San Francisco Bank of Commerce. On December 1, 1909, it transferred its commercial department to the First National Bank of Sonora, and has since then confined its activities to the savings bank business. Two banks suspended during 1897, i. e., the Bank of National City, and the Randall Banking Company of Eureka.

The report of the bank commissioners for the fiscal year end-

ing July 31, 1899, disclosed a slight decrease in the number of banking institutions in the state. On that date, there were but 282 banks, while on the preceding August 31, there had been 288 banks. Two savings banks and five private banks had retired, and one new national bank had been added to the list. This decrease of six banks, however, was no indication that the banks of the state were in an unsatisfactory condition. In fact, during the preceding fiscal year, deposits had increased by \$24,155,111, or at the rate of more than \$2,000,000 per month, while resources had increased by \$27,554,436. The increase was evenly distributed among commercial, national, and savings banks, both in the larger cities and in the outlying districts. California was rapidly recovering from the financial depression of 1893. The showing made was extremely gratifying, especially in view of the fact that the fiscal years of 1897 and 1898 represented a period characterized by a less than normal rainfall. The commissioners also reported that the financial institutions of California were generally well managed and in a prosperous condition. During the fiscal years in question, the Mendocino Discount Bank, the Union Savings Bank of San Jose, the County Bank of San Luis Obispo, and the Bank of Templeton went into liquidation, and the private banks of A. F. Redemeyer of Ukiah and of M. H. Dodge of Forest Hill also retired.

Six banks were incorporated in California during 1899. The Marin County Bank of San Rafael with Charles Martin, president, and S. H. Cheda, cashier, was chartered on January 26, 1899, with \$50,000 capital stock, one-half of which was paid in. On May 12, 1912, it sold its commercial department to the Marin County National Bank, and on July 1, 1912, changed its name to the Marin County Savings Bank. Both of these institutions were sold to the Mercantile Trust Company of San Francisco on April 12, 1924. The Italian-American Bank of San Francisco was the second bank established for the purpose of providing banking facilities for the Italian population of that district. It was incorporated on March 16, 1899, with a capital stock of \$500,000, one-half of which was paid in. It was organized almost solely as a result of the efforts of Andrea Sbarboro who became its president and so continued during his lifetime, being succeeded by his son, A. E. Sbarboro, who had served as its first cashier. Andrea Sbarboro was born in Italy in 1840, but migrated with his parents to



ANDREA SBARBORO
Italian-American Bank, San Francisco



OFFICERS AND DIRECTORS, FARMERS AND MECHANICS BANK,
HEALDSBURG

Left to Right: E. H. Barnes, President; Ransom Powell, Director; L. A. Norton,
Director; R. H. Warfield, Cashier. Photo taken about 1883.

the United States, arriving in California in 1852. For some years he worked in a local grocery store at a salary of \$20 a month and board, and attended evening school to obtain an education. By 1875, he was the owner of the store in which he had long served as a clerk, and was also the important figure in many other enterprises. His attention had been called to the value of building and loan societies, and during the later '70s, he organized the West Oakland Mutual Loan Association, which proved to be a most successful venture in providing homes for the workers living in the San Francisco Bay district. He was also active in organizing four other building and loan associations and in managing their affairs. In 1881, he founded the Italian-Swiss Colony at Asti on a tract of 15,000 acres, and greatly aided in the development of the wine industry of California. In connection with the financing of his various enterprises, he soon appreciated the necessity of, and the advantages to be derived from, a well-rounded commercial and savings bank. Consequently in 1899, with the aid of associates, he opened the Italian-American Bank, which for many years occupied an important place in the life of the San Francisco Italian district. Andrea Sbarboro died February 28, 1923. On November 28, 1923, the Italian-American Bank purchased the Columbus Savings & Loan Society of San Francisco, the original Italian bank of that city. On June 30, 1925, the Italian-American Bank had a capital of \$1,500,000, a surplus of \$500,000 and total assets of \$23,044,162. It was absorbed by the Bank of Italy in the summer of 1926.

As has been recorded in previous pages, the private Bank of Paso Robles was chartered as the Bank of Paso Robles on March 31, 1899, with a paid up capital stock of \$50,000. H. Eppinger, Jr., was president, and F. D. Frost, cashier. It was closed by the State superintendent of banks on August 11, 1909. Its assets were subsequently purchased by the Citizens Bank of that city. The Mercantile Trust Company of San Francisco was chartered on April 18, 1899, with a capital stock of \$1,000,000, one-half of which was paid up. F. W. Zeile was president, and J. D. McKee, cashier. It was originally intended that this house should confine its activities to the trust field. In time, however, the banking field was gradually entered, with the result that by the close of its second year, the Mercantile Trust Company held deposits in excess of \$2,000,000. In 1910, its stockholders organized the Mer-

cantile National Bank and transferred to it the commercial banking business of the Mercantile Trust Company. The Mercantile National Bank immediately took its place among the prominent banks in San Francisco. By 1916, it held deposits of \$14,500,000, and had total assets of \$19,500,000. On July 3, 1920, it and its parent institution, the Mercantile Trust Company, were merged with the Savings Union Bank & Trust Company under the charter of the latter which bore the date of July 3, 1857, but under the title of the Mercantile Trust Company of San Francisco. Two years later the title was changed to the Mercantile Trust Company of California. In the meantime this institution had started upon its career of branch banking through the purchase of several Central California banks. It purchased banks in Berkeley, Richmond, Emeryville, San Jose, Petaluma, Sonoma, Santa Rosa, Campbell, Pittsburg, San Anselmo, San Francisco, San Raphael, Palo Alto, and Burlingame, and in some instances these merged institutions had local branches or branches in nearby cities which were also absorbed. In September, 1926, plans were announced dealing with a proposed merger of the Mercantile Trust Company with the American Bank, which would result in the formation of the eighth largest trust company in the United States. The stockholders of both banks finally approved the consolidation of these two Central California branch banking systems to become effective January 3, 1927, under the title of the American Trust Company, with total resources in excess of \$261,000,000 and controlling 82 branches. Some of these branches will undoubtedly be consolidated where the offices of the two merged banks are located close to each other. A detailed discussion of the branch banking activities of these two banks will be presented in a later chapter. The Mercantile Trust Company organized a subsidiary investment banking house, the Mercantile Securities Company, on July 17, 1920, with a capital of \$1,000,000 fully paid up, and also the Mercantile Mortgage Company. The Mercantile-American Realty Company was formed in the latter part of 1926 to take over the real estate holdings of the American Bank and the Mercantile Trust Company. The latter bank has also participated in the formation of joint stock land banks with head offices in Los Angeles, San Francisco, Salt Lake City and Portland.

The Bank of Hemet was organized on May 12, 1899, with W.

F. Whittier, president, and S. W. Leffingwell, cashier. It had a capital stock of \$25,000, one-half of which was paid up. It voluntarily liquidated October 18, 1917. Mention has already been made of the private banking house of A. B. Carlock, which incorporated as the Carlock Banking Company of Fort Jones on June 27, 1899, with A. B. Carlock, president, and M. C. Beem, cashier. It had a fully paid-up capital stock of \$50,000. It later established a branch at Etna Mills, and on March 27, 1911, changed its name to the Scott Valley Bank. It added a savings department on May 3, 1912, and purchased the Mt. Shasta Banking Company of Fort Jones on August 3, 1915.

The Yokohama Specie Bank of Yokohama, Japan, which had been incorporated February 1, 1880, under the laws of Japan, established a branch in San Francisco in the summer of 1899. The parent banking company was capitalized at 12,000,000 yen. K. Tosawa was the agent in charge of the San Francisco office. The San Francisco office incorporated under the California laws on February 28, 1910. It has been concerned primarily with foreign exchange operations between the United States and Japan, and also in taking care of the financial needs of the Japanese population of San Francisco and nearby districts. On December 1, 1899, the Citizens Bank of Vallejo was incorporated with a capital stock of \$100,000, one-half of which was paid in. Its first officers were John B. Frisbie, president, and J. R. English, cashier and secretary. On November 1, 1909, it transferred its commercial business to the First National Bank, which had been established for that purpose, and changed its own title to the First Savings Bank. Both of these banks were sold to the Liberty Bank of San Francisco on October 3, 1925.

CHAPTER XV

THE FIRST YEARS OF THE TWENTIETH CENTURY 1900-1909

For California, the Twentieth Century opened a new era of development and expansion. Although temporarily retarded to a slight degree by the results of the nation-wide panic and business depression of 1907, the state forged ahead at a marvelous rate after 1900. In finance, agriculture, industry, commerce and general business, new records were established, and new trails were blazed for an even greater future. On August 11, 1900, 287 banks of the state reported total resources of \$385,302,285. On June 30, 1926, 357 state chartered banks reported resources of \$2,662,588,284, and 264 national banks reported resources of \$1,043,878,000, giving the state fifth place in both cases. In 1900, California stood twelfth among the sister states in population with 1,485,053 inhabitants, but at present (1927) it is estimated to have approximately 4,000,000 people living within its borders. In 1900, the state's industries produced \$302,874,761 worth of manufactured goods, and those figures included hand, neighborhood, and building industries as well as factories. By 1923, the total value of its manufactured goods, including only those produced by establishments designated by the United States Census as "factories," aggregated \$2,216,639,000. The latter figure represented an increase of more than 26 per cent over that for 1921. Similar progress is to be noted in the realm of agriculture. In 1900, the value of farm property in California was placed at \$796,527,955, but by 1925 this had increased to \$3,424,785,986. The value of all farm products in 1900 was \$131,690,606, while that of livestock alone in 1925 was \$158,809,964, and that of crops with production reported in 1924 was \$154,883,599. Many of the large ranches were broken up into smaller holdings during the same period, resulting in a great increase in the number of farms, and in the more intensive culti-

vation of the soil. Irrigation, reclamation, the establishment of coöperative marketing associations, the work of the Department of Agriculture of the University of California, all these things and more have done their part in making possible the wonderful advance in agriculture which has marked the years of the Twentieth Century.

In banking such noticeable progress has been made and so many banks have been established that it becomes necessary for us to tabulate a considerable amount of the data concerning them, so as to save space and also to avoid the constant repetition of certain phrases. Consequently in those subsequent chapters, which are devoted to the chronological story of banking in California, I shall present in tabular form the titles of the banks established each year, their date of incorporation, their original capital stock, and the names of their first officers wherever I have been able to obtain them.

The bank commissioners, at the close of the fiscal year ending August 11, 1900, reported 178 commercial banks, 53 savings banks, 19 private banks and 37 national banks operating in California. The banking institutions of the state were in a prosperous condition, the net gain in deposits amounting to \$22,973,693. During the calendar year 1900, relatively few banks were established. They were as follows:

Name and Location of Bank	Date of Incorporation	Capital	First President	First Cashier
STATE CHARTERED BANKS				
Del Norte Co. Bank, Crescent City..	Mar. 12, 1900	\$ 25,000	Jacob Marhoffer	T. B. Cutler
Calaveras Co. Bank, Angels Camp..	April 3, 1900	50,000	John Raggio	D. Muscio
Bank of Mountain View.....	June 5, 1900	25,000		
Trinity Co. Bank, Weaverville.....	Sept. 13, 1900	25,000		
Canadian Bank of Commerce, San Francisco	1901-1902	\$,700,000	A. C. Kains (Mgr.)	E. Andrews (Acct.)
PRIVATE BANKS				
Jackson Dennis, Sutter Creek.....		30,000		
NATIONAL BANKS				
First National Bank, Long Beach...	June 26, 1900			
First National Bank, Whittier.....	Sept. 11, 1900	25,000	W. Hadley	F. W. Hadley
First National Bank, Fullerton.....	Dec. 26, 1900	50,000	B. G. Balcom	E. E. Balcom

The following changes have taken place among the above banks during the intervening years: The Calaveras County Bank of Angels Camp was purchased by the Bancitaly Corporation in January, 1927. The Bank of Mountain View was sold to the Farmers & Merchants State Bank on October 27, 1909. The latter had been incorporated on September 16, 1905, was national-

ized as the Farmers & Merchants National Bank of Mountain View on December 5, 1919, and was sold to the Bancitaly Corporation in the fall of 1926. The Canadian Bank of Commerce established a branch in San Francisco some time during 1900-1901. It had been incorporated under a Royal English Charter in 1867, and had a capital stock equivalent to \$8,700,000. A. C. Kains, the first local manager, was later chosen as the first Governor of the Federal Reserve Bank of San Francisco when it was organized in 1914. Acting under the provisions of the present bank law, the home office of the Canadian Bank of Commerce has assigned a capital of \$750,000 to the San Francisco branch. The private banking house of Jackson Dennis was incorporated as the Sutter Creek State Bank on July 12, 1906, with a capital stock of \$50,000. Jackson Dennis was president, and P. Dabovich was cashier. It was closed by the bank commissioners on February 11, 1908. The First National Bank of Whittier had previously been the Bank of Whittier. The First National Bank of Fullerton was the result of the nationalization of the Fruit Growers Bank of that city. It was purchased by the Pacific Southwest Trust & Savings Bank on November 1, 1924. The Peoples Bank of Pomona retired some time during 1900-1901, paying all claims in full, as also did the San Francisco branch of the Bank of British Columbia, which for many years had played a most important part in the financial affairs of the city beside the Golden Gate.

Because of certain political conditions existing within the State government, no reports of the bank commissioners were published for the fiscal years, 1901, 1902, 1903 and 1904. Only a brief summary of those reports appears in the report of the bank commissioners for 1905. Consequently, it is not possible to present an accurate list of the first officers, or the amounts of capital stock, of the banks established during those four years. The summarized statement prepared by the bank commissioners for the fiscal year ending August 17, 1901, dealt with 180 commercial banks, 56 savings banks, 21 private banks and 42 national banks, an increase of 12 over the number in operation during the previous fiscal year. The continued prosperity of the state banks is shown by the large net gain in deposits, which totaled more than \$33,350,739. An increasingly large number of institutions were organized in 1901. They were as follows:

Name and Location of Bank	Date of Incorporation	Capital	First President	First Cashier
STATE CHARTERED BANKS				
Ventura Savings Bank.....	Jan. 2, 1901			
Citizens Savings Bank, Long Beach.	Jan. 26, 1901			
First Bank of Kern.....	Mar. 15, 1901			
Covina Valley Savings Bank, Covina.	April 1, 1901			
Bank of Arbuckle.....	June 24, 1901			
California State Bank, San Bernardino	Aug. 2, 1901	\$ 50,000	J. L. Oakey	W. S. Boggs
San Luis Savings Bank, San Luis Obispo	Aug. 19, 1901	50,000		
Pasadena Savings Trust & Safe Deposit Company	Sept. 14, 1901	50,000		
Valley Savings Bank, Santa Maria..	Sept. 15, 1901	25,000		
Whittier Bank	Sept. 20, 1901	50,000		
State Bank of San Pedro.....	Nov. 7, 1901			
Old Bank of Hanford.....	Nov. 26, 1901	50,000		
E. Lauer & Sons, Alturas.....	1901-02		E. Lauer	B. Lauer
PRIVATE BANKS				
Bank of Concord.....				
Bank of San Bernardino.....				
NATIONAL BANKS				
First National Bank, Bakersfield....	July 1, 1901	100,000		
Citizens National Bank, Los Angeles	July 31, 1901		R. G. Waters	A. J. Waters
First National Bank, Hanford.....	June 11, 1901	100,000	S. C. Lillis	J. O. Hickman
First National Bank, Covina.....	Mar. 27, 1901			
First National Bank, Eureka.....	Sept. 17, 1901	100,000		
First National Bank, Imperial.....	Dec. —, 1901	25,000	LeRoy Holt	O. K. Thomas

The following changes have occurred since that date: The Ventura Savings Bank was sold to the Bank of Italy on January 23, 1918. The Citizens Savings Bank of Long Beach was closed by order of the bank commissioners on February 6, 1908. Permission, however, was granted on November 15, 1909, to reopen, but after remaining in operation for about two years, it was finally sold to the Farmers & Merchants Bank of Long Beach. The First Bank of Kern was the first bank to be established in that small town. It was later removed to Bakersfield, where it is still actively engaged in the banking business. The San Luis Savings Bank was sold to the Commercial Bank of San Luis Obispo on October 16, 1909. The latter also purchased the Andrews Banking Company of that city on May 2, 1913, and was finally merged into the Pacific Southwest Trust & Savings Bank of Los Angeles on February 17, 1923. The Pasadena Savings, Trust & Safe Deposit Company shortened its title some time during 1903-1904 to the Pasadena Savings & Trust Company. On January 30, 1918, it again changed its title to the First Trust & Savings Bank of Pasadena. It added a commercial department on February 18, 1920. The Whittier Bank was nationalized in 1906 as the Whittier National Bank. The State Bank of San Pedro was sold on January 3, 1922, to the Hellman Commercial Trust & Savings Bank of Los Angeles. The Old Bank of Hanford was purchased by the Bank of Italy on July 22, 1922. E. Lauer & Sons of Alturas had incorporated as a banking concern

on September 8, 1892, but did not begin operations until some time during 1901-1902. On October 13, 1906, the title of that company was changed to the Bank of Modoc County. It was closed by the superintendent of banks on July 23, 1912, because it was deemed inadvisable, unsafe and inexpedient for the bank longer to continue in operation. It had been giving constant trouble to the State bank officials. Its officers had shown themselves unwilling to obey the banking laws, although having made repeated promises that they would do so. Gross violations of the law and evidences of attempts to deceive the State Banking Department were disclosed when an examination was made of the bank on July 20, 1912, and as a consequence the State superintendent of banks three days later took charge of its affairs. Depositors were paid in full.

The Bank of Concord was established as a private bank some time during 1900-1901 by H. N. Lyon, M. E. Lyon, and H. S. Lyon. On February 26, 1910, it incorporated as the Bank of Concord, with Joseph Boyd, president, and M. E. Lyon, cashier, and with a capital stock of \$25,000. On October 15, 1913, it purchased the San Ramon Valley Bank of Walnut Creek, with a branch at Danville, and in the fall of 1926 was sold to the Bancitaly Corporation.

The Citizens National Bank of Los Angeles was a nationalization of the Citizens Bank. Mention has previously been made of the important events in the development of that prominent banking institution, so that further statements regarding its history are unnecessary in this place. The First National Bank of Bakersfield, through the purchase of the Producers National Bank of that city, obtained branches at Taft, Wasco and Maricopa. It was sold on August 11, 1921, to the Bank of Italy. The Maricopa branch was subsequently sold to the Bank of Maricopa. The present First National Bank *in* Bakersfield has no corporate relationship with the First National Bank of Bakersfield, established in 1901. The First National Bank of Hanford had previously been the Bank of Hanford, and the First National Bank of Covina had been the Covina Valley Bank. The First National Bank of Imperial was purchased in 1923 by the First National Bank of El Centro. LeRoy Holt and W. F. Holt, both of whom were heavy stockholders in the First National Bank of Imperial, were active in the organization of other banking institutions in the Imperial Valley. W. F. Holt was for some years president of the Imperial Valley Bank of Brawley, and a heavy stockholder in a number of

other banks in that part of the state. LeRoy Holt was the first president of the First National Bank of Holtville and of the First National Bank of El Centro, as well as a member of the original board of directors of the Security Savings Bank of El Centro.

For the fiscal year ending August 3, 1902, the bank commissioners reported 191 commercial banks, 61 savings banks, 20 private banks, and 49 national banks. The net gain in deposits amounted to what the commissioners called the "unparalleled sum of \$55,405,951.28, which exceeds by many millions the record of any previous year." Twenty-two state banks, 2 private banks, 7 national banks and one branch of a foreign bank had been established during the fiscal year in question. The commissioners again urged the legislators to place all private banks under their control and to make them subject to the same rules and regulations as incorporated banks. Although private banks were required to file semi-annual reports with the commissioners, the latter had no legal rights to inquire into or to check up the truthfulness of the contents of such reports, which it was felt should be done for the protection of the public. Periodic examinations were recommended, but the Legislature was not in sympathy with the bank commissioners, and nothing came of the above request.

The continued prosperity of the state brought about the incorporation of 20 state banks and 5 national banks, and the organization of 2 private banking companies during the calendar year of 1902. The state chartered banks and the private banking companies were as follows:

Name and Location of Bank	Date of Incorporation	Capital	First President	First Cashier
STATE CHARTERED BANKS				
Los Angeles Trust Company.....	Jan. 17, 1902	\$250,000	J. C. Drake	Robert Wankowski
Long Beach Savings Bank.....	Jan. 24, 1902		I. W. Hellman	P. E. Hatch
Farmers & Merchants Bank of Colusa County, Colusa.....	Feb. 13, 1902	100,000	J. D. Brown	
Bank of Dinuba.....	Feb. 15, 1902	25,000		
Bank of Alvarado.....	Feb. 20, 1902	25,000		
University Savings Bank, Berkeley..	Mar. 19, 1902	100,000		
Security State Bank, San Jose.....	Mar. 24, 1902	100,000		
Santa Ana Savings Bank.....	Mar. 25, 1902	25,000		
Bank of Lincoln.....	Mar. 31, 1902	75,000		
Ocean Park Bank.....	April 1, 1902	50,000		
Bank of Richmond, Point Richmond	April 17, 1902	30,000		
City and County Bank, San Francisco	April 23, 1902	250,000		
A. Mierson Banking Co., Placerville.	July 1, 1902	50,000		
Farmers & Merchants Bank, Tulare.	Aug. 1, 1902	25,000		
Farmers & Merchants Bank, Redondo	Oct. 2, 1902			
Bank of Exeter.....	Oct. 25, 1902			
Glendora Bank	Dec. 12, 1884	50,000		
International Banking Corporation, San Francisco	1902			
Union Savings Bank, Riverside.....	1902			
Dollar Savings Bank and Trust Co., Los Angeles	April 23, 1891	100,000		
PRIVATE BANKS				
Bank of Downey.....				
Inyo County Bank of Bishop.....				

The Los Angeles Trust Company was consolidated on December 8, 1909, with the Metropolitan Bank & Trust Company, which was chartered in 1905, with F. P. Flint, president, and J. Spence, cashier. The resulting merger was known as the Los Angeles Trust & Savings Bank and was controlled by the stockholders of the First National Bank of Los Angeles. The progress of the Los Angeles Trust & Savings Bank since its inception has been most marked. Especially has it been concerned with the establishment of branches, at first in Los Angeles and later in the territory contributory to that city. The first Los Angeles branch was opened on August 31, 1912. The first branch to be established outside of the corporate limits of the city was that at Avalon, on Santa Catalina Island, which began operations on June 16, 1919. The Los Angeles Trust & Savings Bank purchased the Bank of Glendale on August 23, 1920; the Union Trust & Savings Bank of Pasadena on June 13, 1921; the Union National Bank of Pasadena on June 18, 1921; the American Marine National Bank of Los Angeles on October 3, 1921; the National Bank of Tulare, the Hanford Savings Bank, the First National Bank of Redlands, the Farmers & Merchants National Bank of Hanford, the First National Bank of Visalia, the First National Bank of Oxnard, the City National Bank of Long Beach, the Lindsay National Bank, the First National Bank of Hollywood, the Alhambra Savings & Commercial Bank, the Bank of Santa Maria, the Commercial Trust & Savings Bank of Santa Barbara, and the Fidelity Trust & Savings Bank of Fresno, on July 1, 1922. After a lengthy consideration of the suggestion that the name of this important and rapidly expanding institution be changed to a title more indicative of the territory which it served, the title "Pacific Southwest Trust & Savings Bank" was finally adopted on September 16, 1922. Since that date the policy of expansion has been continued, banks being purchased up the coastline as far north as San Luis Obispo, into the San Joaquin Valley as far north as Fresno, and toward the east as far as the cities of the Imperial Valley. On January 1, 1927, this bank had 95 branches. Its stockholders are also stockholders in the First National Bank of Los Angeles, the First Securities Company, the Bankers Equipment Company, and the Los Angeles Trust & Safe Deposit Company.

The Long Beach Savings Bank had as its president for many

years, I. W. Hellman, Sr., of the Farmers & Merchants National Bank of Los Angeles. On September 26, 1907, it became the Long Beach Savings Bank & Trust Company. It added a trust department on November 7, 1914, and a commercial department on November 22, 1920. On January 28, 1921, it changed its name to the Long Beach Trust & Savings Bank, and on February 26, 1921, it absorbed the National Bank of Long Beach. It was merged into the Security Trust & Savings Bank of Los Angeles on December 3, 1921. The Farmers & Merchants Bank of Colusa County on October 25, 1911, sold its commercial department to the First National Bank of Colusa, which had been chartered on July 1, 1911. The latter bank failed on November 22, 1922, due to very serious crop losses in that community. The Farmers & Merchants Bank of Colusa County continued to operate as a savings bank under the old title until October 25, 1911, when it changed its title to the First Savings Bank of Colusa. On February 10, 1912, it added a commercial department. The Bank of Dinuba nationalized as the First National Bank of that city some time during 1907-08. The Bank of Alvarado became the Bank of Alameda County on August 25, 1910. On December 20, 1916, it consolidated with the Niles State Bank to form a new Bank of Alameda County. In the meantime it had established a branch at Niles, which it merged with the office of the Niles State Bank and continued as its Niles branch. The University Savings Bank of Berkeley was sold on May 19, 1915, to the Oakland Bank of Savings, which at the same time also purchased the former's affiliated institution, the Berkeley National Bank. Both of these Berkeley houses were merged and continued as the Berkeley branch of the Oakland Bank of Savings. On May 1, 1922, some of the former officers and employes of the First National Bank of Berkeley, which had been purchased by the Mercantile Trust Company of San Francisco, associated themselves with a group of local capitalists, and organized the Berkeley Commercial & Savings Bank, which purchased the Berkeley branch of the Oakland Bank of Savings. On March 5, 1923, the Berkeley Commercial & Savings Bank changed its name, and has been known since that time as the Berkeley Bank.

The Santa Ana Savings Bank consolidated with the Home Savings Bank of that city to form the Farmers & Merchants Savings Bank of Santa Ana, which was incorporated on June 30,

1919. The Ocean Park Bank established branches at Santa Monica and at Venice, and was finally purchased by the Pacific Southwest Trust & Savings Bank of Los Angeles on January 2, 1923. The Bank of Richmond was located at what was then known as Point Richmond. It added a savings department on August 9, 1915, and on October 7, 1922, was sold to the Mercantile Trust Company of San Francisco, which at the same time also purchased the First National Bank of Richmond and the Richmond Savings Bank.

The City & County Bank of San Francisco was sold on February 28, 1911, to the Western Metropolis National Bank of that city, which in its turn consolidated with the Merchants National Bank under the title of the latter on May 31, 1912. On January 31, 1923, the Merchants National Bank of San Francisco was purchased by the Sacramento-San Joaquin Bank, with headquarters at Sacramento and with several branches in Central California cities. The Sacramento-San Joaquin Bank became the United Bank & Trust Company on March 13, 1923, and moved its head office to San Francisco. The A. Miersen Banking Company of Placerville had operated for a number of years as a private banking firm. After incorporation, it added a savings department on September 12, 1916, and on April 27, 1920, changed its title to the Eldorado County Bank. In 1907, the Farmers & Merchants Bank of Tulare became the First National Bank of Tulare. The Farmers & Merchants Bank of Redondo was nationalized in 1905 as the Farmers & Merchants National Bank of that city. The Bank of Exeter nationalized in 1909 as the First National Bank of Exeter. On May 15, 1916, its stockholders organized the Security Savings Bank of that city. They also own the New First National Bank *in* Visalia and the Security Savings Bank of Visalia. Although the Glendora Bank had been incorporated on December 12, 1884, for some unknown reason it did not begin operations until some time during 1902-03. The International Banking Corporation, which had been incorporated under the laws of Connecticut in January, 1901, established a branch in San Francisco some time during 1902. On February 25, 1911, it purchased the Bank of Commerce of San Francisco. The latter bank was the third bearing that title to be established in San Francisco and was incorporated on December 30, 1909. The first Bank of Commerce had been chartered in 1876, and had

been forced to suspend in the autumn of 1878. The International Banking Corporation also bought the Swedish-American Bank of San Francisco on October 31, 1910. On July 15, 1916, it sold all of its commercial business to the Anglo & London Paris National Bank, and at the same time also disposed of its savings business to the Anglo-California Trust Company. When in 1924, the directors of the Asia Banking Corporation, which had been engaged in foreign banking, decided to liquidate, the business of its San Francisco office was purchased by the International Banking Corporation. The Union Savings Bank of Riverside remained active in the banking field for only a few months and then retired. The Dollar Savings Bank & Trust Company of Los Angeles obtained an old charter bearing the date of April 23, 1891, and entered the banking field some time during 1902. In 1908, it was merged with the Central Trust Company of Los Angeles to form the Park Bank, which was purchased by the Bank of Italy on May 1, 1913.

Two private banks were established during the fiscal year of 1902. H. S. Scott was the owner of the Bank of Downey. It was subsequently incorporated on September 16, 1913, with X. Gephart, president, and H. A. Scott, cashier, and with a paid-up capital of \$33,000. It voluntarily liquidated, January 23, 1918. The Inyo County Bank, located at Bishop, was owned by W. Watterson, E. Watterson, and M. Q. Watterson. On December 22, 1911, it incorporated with a capital stock of \$75,000, fully paid up. At that time it had a branch at Big Pine. W. Watterson was the first president, and M. Q. Watterson, the first cashier of the incorporated bank. On November 26, 1918, a savings department was added.

During the fiscal year ending October 31, 1902, only five national banks were incorporated in California, all of which were located in the southern part of the state. They were as follows: First National Bank of Ontario, Southwestern National Bank of Los Angeles, First National Bank of Anaheim, National Bank of Long Beach, and American National Bank of Long Beach. The First National Bank of Ontario was a nationalization of the Ontario State Bank, which had been chartered in 1887. The First National Bank of Anaheim, which had previously been the Citizens Bank of Anaheim, was sold to the Bancitaly Corporation in the fall of 1926. The Southwestern National Bank of Los Angeles

was absorbed by the First National Bank of that city in 1906. The National Bank of Long Beach and the American National Bank of Long Beach remained active for only about two years, retiring either in 1904 or 1905.

In 1903, a struggle, which had been going on for some time between the State Board of Bank Commissioners and the governor, came to a climax. The bank commissioners, in office at that time, were not the appointees of the person who was then the chief executive of the state. The latter and his political associates were desirous of more completely controlling the apportionment of political patronage, and as a consequence took a rather unique method of removing from office the bank commissioners who had been appointed by a previous governor. This was accomplished by having the Bank Act repealed by the Legislature on March 2, 1903. Consequently, the State was left, at least temporarily, without any semblance of bank legislation. Immediately, there ensued a frantic rush for bank charters. Between March 2 and March 24, 1903, at which latter date a new banking law went into effect, seventy-one charters were issued, although by no means were all of that number availed of in establishing new institutions. The greater portion of the fifty-four banks, which entered the field in 1903, were, however, opened under charters issued during that short interregnum. A number of the charters so granted had been obtained purely for speculative reasons. Inasmuch as they were issued during the period when there were no regulations covering banking relations, it was felt that freedom from examination and from the necessity of rendering reports would prove to be valuable in the future. Some of these ad interim charters were later sold at prices ranging from \$1,000 to \$2,500.

As mentioned above, the Act of March 30, 1878, which had been slightly amended on March 10, 1887, was repealed on March 2, 1903. The new Bank Act, signed by the governor on March 24, 1903, to take the place of the repealed statute, was, with but slight changes, identical in practically all regards to that of its predecessor. Under the Act of 1903, the governor was authorized to appoint four competent persons as bank commissioners. One was to be an expert accountant. The term of office was four years. The law of 1878 had authorized the appointment of three bank commissioners with a term of office of four years, and one

of the commissioners was required to be an expert accountant. The Act of 1903 called for reports by incorporated banks only when and as requested by the commissioners, while the Act of 1878 called for at least semi-annual reports. Private banks under the amendment of March 10, 1887, had been required to report at least twice a year, and under the law of March 26, 1895, at least three times a year. The latter provision was continued in the Act of 1903. The statute of 1903 improved slightly upon the amended act of 1878 by prohibiting the use of the word "bank" or any other words or terms denoting or implying the business of banking, or the use of the word "savings" alone or in connection with other words denoting or implying the conduct of the business of a savings institution or a savings and loan society, to any and all parties whether or not subject to the supervision of the bank commissioners. The Act of March 26, 1895, had only prohibited the use of the word "bank" by corporations not subject to the supervision of the commissioners, but the Act of 1903 extended the prohibition to include individuals and partnerships. With these few exceptions the Bank Commissioners Act remained the same as it had been under the law of 1878 and its amendments.

The governor of the State also signed a bill on March 21, 1903, restricting to a certain extent the lending activities of savings banks. By that statute, which became Section 581 of the Civil Code, no savings bank could lend to exceed 60 per cent of the market value of any real estate, except where it was necessary to do so for the purpose of facilitating the sale of any property which the bank might own. Savings banks were also prohibited from buying mining shares or stocks or lending money thereon. Another statute signed by the governor on the same day, which statute later became Section 582 of the Civil Code, required that any person or persons conducting a private banking business should do so under a title which would disclose the true names of all persons so engaged. A third statute, also signed on March 21, 1903, required all banks, whether savings or commercial, and having a capital stock, to build up a surplus amounting to at least 25 per cent of their capital stock by semi-annually carrying one-tenth of their net profits to a surplus or reserve fund. Banks were allowed to convert their surplus into paid-up capital stock at any time, provided they proceeded to build up a new surplus

fund in the same manner. Banks were not to publish any statement regarding the amount of their capital stock, unless they also published in connection therewith a statement of the amount of capital stock actually paid up.

The report of the new board of bank commissioners, summarizing the condition of banks in California at the close of the fiscal year ending September 8, 1903, disclosed a total of 356 banks for the state as a whole, a net gain of 7 savings banks, 26 commercial banks, and 11 national banks, with a net loss of one private bank. During 1903, the following state chartered and private banks were established:

Name and Location of Bank	Date of Incorporation	Capital	First President	First Cashier
STATE CHARTERED BANKS				
French-American Bank, San Francisco	Jan. 6, 1903	\$1,000,000		
Citizens Bank, Riverside	Jan. 27, 1903			
Central Trust Company of California, San Francisco	Jan. 29, 1903			Henry Brunner
Bank of Cambria	Feb. 1, 1903			
Mission Bank, San Francisco	Feb. 7, 1903	200,000	James Rolph	Stuart F. Smith
American Savings Bank, Los Angeles	Feb. 21, 1903	300,000	George Chaffey	J. W. Phelps
Pacific Savings Bank, Los Angeles	Feb. 8, 1903	200,000	R. Rogers	L. L. Soule
Golden State Bank, San Francisco	Mar. 3, 1903			
Bay Counties Bank, San Francisco	Mar. 4, 1903	50,000		
Central Exchange Bank, San Francisco	Mar. 4, 1903	100,000		
Seal Rocks Bank, San Francisco	Mar. 4, 1903	1,000,000		
United Bank & Trust Company, San Francisco	Mar. 4, 1903	2,000,000		
Standard Bank, San Francisco	Mar. 5, 1903	25,000		
Federal Savings Bank, San Francisco	Mar. 5, 1903	500,000		
Oriental Bank, San Francisco	Mar. 5, 1903			
State Savings & Commercial Bank, San Francisco	Mar. 5, 1903	1,000,000	W. S. Miller	C. P. Haag
Japanese Bank, San Francisco	Mar. 5, 1903	100,000	C. L. Tilden	F. Tawa
Probate Bank, San Francisco				
Commercial Bank & Trust Company, San Francisco				
Alta California Banking Company, San Francisco				
Alcade Banking Company, San Francisco				
International Bank & Trust Company of America, San Francisco				
Comptoir National D'Escompte de Paris, San Francisco				
Federal Bank, Los Angeles	Mar. 3, 1903	25,000	W. R. Clark	C. A. Neil
British American Trust Company, Los Angeles	Mar. 3, 1903	25,000	W. F. Botsford	W. C. Learmont
Cooperative Savings Bank, Los Angeles	Mar. 3, 1903		M. P. Snyder	F. H. Nichols
Equitable Savings Bank, Los Angeles	Mar. 4, 1903		W. J. Washburn	P. F. Johnson
West Side Bank, Los Angeles	Mar. 5, 1903	25,000	John A. Pirtle	S. P. Dunn
Western Savings Bank, Los Angeles	Mar. 5, 1903	25,000		
Merchants Bank, Los Angeles	Mar. 5, 1903	25,000	E. J. Peabody	A. W. Junger
Manhattan Savings Bank, Los Angeles	Mar. 5, 1903	25,000	F. M. Douglass	Charles Ewing
Bank of the Pacific, Los Angeles	Mar. 5, 1903	25,000	F. A. Beach	L. A. Beach
South Savings Bank, Los Angeles	Mar. 5, 1903	25,000	F. A. Beach	L. A. Beach
Home Banking Company, Sacramento				
West Coast Banking & Trust Company, Sacramento	Mar. 5, 1903	50,000		
Citizens Bank, Sacramento	Mar. 4, 1903			
Union Bank of Commerce, Sacramento	Mar. 5, 1903			
Wright & Kimbrough Bank, Sacramento	Mar. 5, 1903			
Roseville Banking & Trust Company, Sacramento	Mar. 5, 1903	25,000	A. L. Darrow	H. L. Bissell
South Berkeley Bank, Berkeley	Mar. 5, 1903			
Security Savings Bank, Berkeley	Mar. 5, 1903			
Imperial Valley Bank, Brawley	Mar. 3, 1903		F. S. Miller	W. T. Dam
Central Savings Bank, Santa Barbara	Mar. 3, 1903			
Central Bank, Santa Barbara	Mar. 3, 1903			

Name and Location of Banks	Date of Incorporation	Capital	First President	First Cashier
American Home Savings Bank, Pasadena	Mar. 4, 1903	25,000		
Metropolitan Bank, Oakland.....	Mar. —, 1903			
Security Bank & Trust Company, Oakland				
Sotoyome Bank, Healdsburg.....	Mar. 21, 1903		G. H. Warfield	J. R. Williams
Farmers & Merchants Bank, Modesto	Mar. 25, 1903			
Laton State Bank.....	April 13, 1902			
Bank of Compton.....	April 20, 1903			
San Bernardino County Savings Bank, San Bernardino	April 27, 1903	55,000	E. D. Roberts	A. G. Kendall
Farmers Bank, Selma.....	May 20, 1903			
Merchants Trust Company, Los Angeles	June 23, 1903	500,000	W. L. Brent	L. L. Elliott (Mgr.)
Commercial & Savings Bank, Stockton	June 26, 1903			
Alderson Banking Company, Placerville	July 2, 1903			
Chino State Bank.....	July 6, 1903	100,000	E. A. Heron	B. L. Chase
Syndicate Bank, Emeryville.....	July 16, 1903			
Bank of Geyserville.....	July 23, 1903			
Granite Bank & Trust Company, Monrovia	July 27, 1903			
Livermore Valley Bank.....	July 29, 1903			
Whittier Savings Bank.....	Aug. 14, 1903			
Citizens Savings Bank, San Pedro...	Aug. 18, 1903			
Plumas County Bank, Quincy.....	Sept. 2, 1903			
Stirling City Bank.....	Sept. 23, 1903			
Reedley State Bank.....	Sept. 30, 1903			
Peoples Savings Bank, Hanford....	Oct. 6, 1903			
Home Savings Bank, Whittier.....	Oct. 31, 1903			
Bank of Arroyo Grande.....	Nov. 7, 1903			
Bank of Pacific Grove.....	Nov. 17, 1903			
Bank of San Dimas.....	Nov. 27, 1903			
Savings Bank of Mendocino County, Ukiah	Nov. 28, 1903			
Contra Costa County Bank, Black Diamond	Nov. 30, 1903			
San Mateo County Savings Bank, Redwood City	Dec. 4, 1903			
Commercial Bank, Ukiah.....	Dec. 8, 1903			
Fidelity Savings Bank, Ontario.....	1903			
Monrovia Savings Bank.....	Mar. 8, 1888			
Merchants Bank, Berkeley.....	1903-1904			
Bank of Huntington Beach.....	1903-1904	25,000	I. Townsend	J. F. Heartwell
Bank of Hollywood.....	1902-1903			
PRIVATE BANKS				
A. Levy, Oxnard.....		200,000	A. Levy	Alpha Adams
Nichi Bei Ginko, San Francisco....		20,000	T. Nakamura (Mgr.)	

The first state bank to be incorporated in 1903 was the French-American Bank in San Francisco, whose charter bore the date of January 6. Shortly after incorporation the French-American Bank purchased the stock of the French Savings Bank, which had been organized in 1879, and continued to operate it for some years as a separate institution. On January 10, 1910, however, both banks were merged under the title of the French-American Bank of Savings. Later, the title was again changed to the French-American Bank. A trust department was added February 16, 1925. Control of the bank was purchased by the Bancitaly Corporation in December, 1926. The Citizens Bank of Riverside became the Citizens National Bank of Riverside some time during 1907-1908. The story of the Central Trust Company of California, located at San Francisco, has already been fully detailed. The Germania Trust Company of San Francisco, an affiliated institution of the Central Trust Company,

was nationalized in 1903 as the Germania National Bank. It consolidated with the Central Trust Company of California on August 1, 1907, under the title of the latter. On July 16, 1909, the Central Trust Company purchased the assets of the San Francisco agency of the Banca Svizzera Americana of Locarno, and on February 3, 1911, was finally sold to the Anglo-California Trust Company of San Francisco. The Mission Bank of San Francisco was the first bank to be established in the Mission District of San Francisco. A majority of its stock was owned by the Bank of California, N. A., Parrott & Co., and Antoine Borel. It was sold to the Bank of California, N. A., in February, 1927. The stockholders of the Mission Bank also organized the Mission Savings Bank on August 3, 1906, with a capital of \$200,000. The latter was sold to the Mercantile Securities Company of San Francisco in May, 1926, and in February, 1927, became a branch of the American Trust Company. The American Savings Bank of Los Angeles operated successfully for ten years and was merged on May 28, 1913, with the Home Savings Bank of Los Angeles, which had been established in 1904. The Home Savings Bank and the Hibernian Savings Bank were merged in 1920 as the Home & Hibernian Savings Bank, the title being changed on November 19, 1920, to the California Bank. Further mention of the California Bank will be made in subsequent pages. The Pacific Savings Bank of Los Angeles was capitalized at \$200,000, but only about one-eighth of that amount was paid in at the time it opened its doors. On September 14, 1910, it was sold to the Merchants Bank & Trust Company of Los Angeles, the latter becoming the Hellman Commercial, Trust & Savings Bank on March 25, 1913, and in the fall of 1926, merging with the Merchants National Bank to form the Merchants National Trust & Savings Bank.

We now come to the story of the large number of banks that were established under charters issued during the twenty-two days' interregnum when California was without a regulatory banking statute of any sort. The first of these institutions was the Golden State Bank of San Francisco, which retired within two or three years after its organization. The Bay Counties Bank of San Francisco was not a success. It had an authorized capital of \$50,000, only one-tenth of which was paid in. On August 25, 1905, it had deposits of \$4,155. It retired some time

during 1906. The Central Exchange Bank of San Francisco presented a much more questionable condition from the very first. On August 25, 1905, it reported an authorized capitalization of \$100,000, only \$250 of which was paid in. Its total resources on that date consisted of the small sum which had been paid for its capital stock. It retired in 1906. The Seal Rocks Bank of San Francisco was of an even more speculative character than were the preceding three institutions. It had an authorized capital stock of \$1,000,000, but on August 25, 1905, only \$184.50 of that amount was paid in. Its total assets on that date amounted to \$543.77. Not receiving the expected support from the San Francisco public, its promoters moved it to Los Angeles, where it opened some time during 1906 as the Occidental Trust & Savings Bank. B. Erkenbrecher was the first recorded president of the Occidental Trust & Savings Bank, and W. G. Blewett, its first cashier. The outcome of the move to Los Angeles did not prove to be as satisfactory as had been expected, although it did enable the bank to collect a total of \$21,561 out of its authorized capital of \$1,000,000. It was closed by the order of the bank commissioners on December 24, 1907. The United Bank & Trust Company of San Francisco appeared to be twice as ambitious as the Seal Rocks Bank because it was organized with an authorized capital of \$2,000,000, only \$158,900 of which was paid in. Its founders had large plans, as was shown by the fact that they went so far as to establish a branch in 1905. It received practically no support from the public, and retired some time during 1906. The Standard Bank of San Francisco was originally organized as the Wage Earners Bank, the change of title coming shortly after incorporation. It started with less than one-fifth of its capital stock paid in, and was forced, like its colleagues, to retire some time during 1906.

The Federal Savings Bank of San Francisco had an authorized capital of \$500,000, but on August 25, 1905, only \$5,000 of that amount was paid in. On the latter date, it reported to the bank commissioners that it had total assets of only \$5,015.89. During the preceding year, it had obtained three new accounts. It retired in 1905. The Oriental Bank of San Francisco, soon after incorporation, changed its title to the West Oakland Bank & Trust Company, and removed to Oakland, where its stockholders undoubtedly felt it would have a more fruitful

field in which to function. On December 8, 1913, it became the West Oakland Bank, and on December 31, 1914, was purchased by the First Savings Bank of Oakland, which had been incorporated on March 12, 1908. The latter institution changed its title to the American Bank of Oakland on May 14, 1922, and after a series of mergers became a part of the branch banking system of the American Trust Company with head offices in San Francisco. The State Savings & Commercial Bank of San Francisco was capitalized at \$1,000,000. Two years later it had only \$48,135 of that amount paid up. It followed in the footsteps of a number of other institutions incorporated during this period, and was closed by the superintendent of banks on July 17, 1909. The Japanese Bank of San Francisco was the second Japanese institution to be established in California. It later established a branch in Los Angeles, which it sold to the Kimmon Ginko some time during 1907 or 1908, and immediately thereafter voluntarily liquidated.

The Probate Bank of San Francisco undoubtedly never opened its doors, for I have been unable to find any record of its activities. The Commercial Bank & Trust Company of San Francisco opened some time during 1903 under a charter held previously by the Bank of Templeton, which had been incorporated on April 8, 1889, and which had voluntarily liquidated some time during 1898-99. The Commercial Bank & Trust Company, however, did not long remain active, and retired in 1905. The Alta California Banking Company of San Francisco retired within a year after having been incorporated. The Alcade Banking Company of San Francisco was another one of the interregnum banks which found the San Francisco field to be rather uncongenial, and consequently removed to Los Angeles. It was no more successful in the southern part of the state than it had been in San Francisco, and consequently liquidated in 1905. The International Bank & Trust Company of America opened a branch office in San Francisco during 1903, but closed it within a few months. The Comptoir National D'Escompté de Paris also established a branch in San Francisco some time during 1903-04, but closed it within a few months.

An equally large number of banks were chartered to operate in Los Angeles during this interesting twenty-two day period. The Federal Bank was absorbed on June 27, 1914, by the Hiber-

nian Savings Bank of Los Angeles, the latter being one of the predecessors of the present California Bank. The British American Trust Company of Los Angeles retired some time during 1905-06. The greater portion of its funds appeared to have been invested in the stock of other banks, as is shown by the fact that on August 25, 1905, it owned 152 shares of the American National Bank of Los Angeles, 20 shares of the American Savings Bank of Los Angeles, 35 shares in the Citizens Bank of Ontario, and 99 $\frac{1}{4}$ shares in the Ontario State Bank. The Los Angeles Co-operative Savings Bank changed its title a year after incorporation to the California Savings Bank, with a capital stock of \$1,000,000. On December 4, 1915, it consolidated with the Traders Bank of Los Angeles and again changed its title to the California Savings & Commercial Bank. It was absorbed by the Hibernian Savings Bank of Los Angeles on June 28, 1919. The Equitable Savings Bank of Los Angeles was sold on January 15, 1912, to the Security Savings Bank, the latter institution subsequently becoming the Security Trust & Savings Bank of Los Angeles.

The West Side Bank of Los Angeles had a very unsatisfactory experience in the banking field and was closed by order of the bank commissioners on December 24, 1907. The Western Savings Bank of Los Angeles started out with an authorized capital stock of \$25,000, but two years later it had only \$1,250 of that amount paid in. At the same time it reported total assets of \$1,341. It voluntarily retired in 1907. The Merchants Bank of Los Angeles retired two years after having incorporated. The Manhattan Savings Bank of Los Angeles was merged in 1908 with the Home Savings Bank, which later merged with the Hibernian Savings Bank to form the California Bank of Los Angeles in 1920. The Bank of the Pacific and its affiliated institution, the Sutter Savings Bank of Los Angeles, were both capitalized at \$25,000, but two years after incorporation each reported a paid up capital stock of \$1,250. Both voluntarily retired during the panic of 1907.

Sacramento, like San Francisco and Los Angeles, also suffered from this unusual rush for banking privileges. It was already supplied with an ample number of banking houses, but that did not prevent five new concerns from entering the field during March, 1903. The Home Banking Company undoubtedly never

opened its doors, for I have been unable to find any record of its participation in banking affairs. The West Coast Banking & Trust Company of Sacramento continued to operate in Sacramento for about two years after incorporation. Its stockholders undoubtedly realized that competition was too severe, and consequently removed their banking house to San Francisco in 1905. Here again the field appears to have been overcrowded, for the West Coast Banking & Trust Company voluntarily retired in 1906. The Citizens Bank of Sacramento changed its title about a year later to the Goethe Bank. It voluntarily liquidated in October, 1909.

The Union Bank of Commerce of Sacramento, with a capital stock of \$25,000, reported only \$150 paid in on August 25, 1905. On that date, it also announced that it had total assets of \$1,050. It voluntarily liquidated during the panic of 1907. The Wright & Kimbrough Bank of Sacramento, with a capital stock of \$25,000, reported only \$5 of that sum paid in on August 25, 1905, and that lonely \$5 was the sum total of its assets. It likewise retired during the depression of 1907. The Roseville Banking & Trust Company was organized by a group of Sacramento capitalists, and during the first two years transacted its business in Sacramento. It was removed to Roseville in 1905. On February 11, 1914, it became the Roseville Banking Company, and on November 18, 1925, was sold to the Liberty Bank of San Francisco.

The South Berkeley Bank was sold to the Berkeley Bank of Savings & Trust Company on December 30, 1915, and conducted as a branch of that institution until February 24, 1922, when the latter with its branches was purchased by the Mercantile Trust Company of San Francisco. The Mercantile Trust Company merged with the American Bank of San Francisco on January 3, 1927, and became the American Trust Company. The Security Savings Bank of Berkeley subsequently changed its title to the West Berkeley Bank, and was likewise sold to the Mercantile Trust Company of San Francisco on March 3, 1923, and continued as a branch, later becoming a branch of the American Trust Company.

The Imperial Valley Bank of Brawley was originally known as the First Bank of Brawley, changing its title to the Imperial Valley Bank in 1904. On December 15, 1909, it be-

came the Imperial Valley Savings Bank. On May 11, 1917, however, it shortened its title to the Imperial Valley Bank. It was sold to the Pacific Southwest Trust & Savings Bank of Los Angeles on December 10, 1923. The Central Savings Bank of Santa Barbara was affiliated with the Central Bank of that city, both institutions operating with the same officers and directors. The former institution was merged into the Central Bank on September 1, 1909. On August 1, 1924, a trust department was added and on September 12 of that year, the title of the bank was changed to the Central Trust and Savings Bank of Santa Barbara. It was sold, with its local branch, to the Bank of America of Los Angeles on September 14, 1925. The American Home Savings Bank of Pasadena had a capital stock of \$25,000, but two years later reported only \$1,250 of that amount paid in and total resources of \$1,256. It retired during the panic of 1907. The Metropolitan Bank of Oakland shortly after incorporation changed its title to the Guaranty Trust Company and removed to San Francisco. It voluntarily liquidated in 1905. The Security Bank and Trust Company of Oakland was one of the relatively few successful banks incorporated during this interesting period. It changed its title to the Security Bank on February 5, 1914, purchased the Bank of Fruitvale on November 10, 1917, and the Citizens Bank of Fruitvale on June 15, 1918, and was finally sold to the Bank of Italy on November 4, 1918.

The Sotoyome Bank of Healdsburg sold its commercial department to the Healdsburg National Bank, and its savings department to the Healdsburg Savings Bank, on June 28, 1912, and voluntarily retired from the field. The latter two institutions were sold to the Liberty Bank of San Francisco on October 31, 1925. The Farmers & Merchants Bank of Modesto, after a very prosperous career, was sold to the Bank of Italy on January 30, 1917. The Laton State Bank became the First National Bank of Laton on July 21, 1910. The Bank of Compton was sold to the American Savings Bank of Long Beach on December 21, 1923. The San Bernardino County Savings Bank established a branch office at Colton, which it subsequently closed on December 16, 1924. The Farmers Bank of Selma sold its commercial department to the Selma National Bank, and its savings depart-

ment to the Farmers Savings Bank of Selma, on February 5, 1913. Both of these institutions were sold to the Valley Bank of Fresno on February 9, 1922. When the holdings of the Valley Bank were purchased jointly by the Bank of Italy and the Pacific Southwest Trust & Savings Bank, the Selma branch of the Valley Bank was apportioned to the Bank of Italy and was opened as its branch on March 1, 1924.

The Merchants Trust Company of Los Angeles became the Merchants Bank & Trust Company of Los Angeles on September 14, 1908. It absorbed the Western State Bank in 1909 and the Pacific Savings Bank in 1911, and on March 25, 1913, became the Hellman Commercial, Trust & Savings Bank. On April 10, 1913, it took over the assets of the All Night and Day Bank of Los Angeles, which had become financially embarrassed, and subsequently purchased a number of banks located in the southern part of the state. It also established a group of neighborhood branches in the City of Los Angeles. It was merged with the Merchants National Bank of Los Angeles in October, 1926, to form the Merchants National Trust & Savings Bank. The Commercial & Savings Bank of Stockton was sold to the Bancitaly Corporation in January, 1927.

Mention has already been made of the activities of Thomas Alderson, a private banker of Placerville. His business was incorporated as the Alderson Banking Company on July 2, 1903, and after nine years of successful operation, the latter voluntarily retired on September 7, 1912. The Chino State Bank became the First National Bank of Chino on October 3, 1912. The Syndicate Bank of Emeryville was sold on April 29, 1910, to the Central National Bank of Oakland. On April 21, 1913, the Bank of Geyserville added a savings department and on April 15, 1920, became the First National Bank of Geyserville. The Granite Bank & Trust Company of Monrovia became the Granite Savings Bank on October 29, 1911. The Livermore Valley Bank of Livermore in October, 1905, sold its commercial business to the First National Bank of Livermore and its savings business to the Livermore Valley Savings Bank. The American Bank of Oakland purchased the Livermore Valley Savings Bank on January 18, 1923, and the First National Bank on May 17, 1923, and united them into its Livermore branch, which later through mergers

of the head office became the Livermore branch of the American Trust Company with headquarters in San Francisco. The Citizens Savings Bank of San Pedro was sold on May 3, 1919, to the Bank of San Pedro, which had been incorporated in 1888. The Stirling City Bank was purchased by the First National Bank of Chico on March 9, 1915.

The Reedley State Bank was nationalized in 1908 as the First National Bank of Reedley. On October 31, 1921, it was purchased by the Valley Bank of Fresno, and on March 1, 1924, was taken over by the Bank of Italy as its Reedley branch. The Peoples Savings Bank of Hanford was sold to the Bank of Italy on May 5, 1924. The Bank of San Dimas became the First National Bank of San Dimas on August 18, 1911. The Contra Costa County Bank located at Black Diamond, later known as Pittsburg, was sold to the Mercantile Trust Company of San Francisco on December 3, 1923. The Commercial Bank of Ukiah was sold to the Liberty Bank of San Francisco on March 28, 1926. The Fidelity Savings Bank of Ontario was chartered in 1903, but so far as I have been able to ascertain never opened for business.

The Monrovia Savings Bank began operations during this year under a charter which bore the date of March 3, 1888. In spite of its seemingly late start, it had a very successful career, and was finally purchased by the Security Trust and Savings Bank of Los Angeles on April 26, 1924. The Merchants Bank of Berkeley was also organized during 1903. A few years later it became the Berkeley National Bank. With its affiliated institution, the University Savings Bank, which had been incorporated March 19, 1902, it was purchased by the Oakland Bank of Savings on May 19, 1915, and became the Berkeley branch of the latter bank. On May 1, 1922, it was purchased by a newly organized banking house, the Commercial & Savings Bank of Berkeley. The latter institution became the Berkeley Bank on February 26, 1923. The Bank of Huntington Beach was organized some time during 1903 and became the First National Bank of Huntington Beach on August 11, 1905, with I. Townsend, president, and J. F. Heartwell, cashier. The Bank of Hollywood was also chartered during this period, but about a year later was nationalized as the First National Bank of Hollywood. It was

purchased on July 1, 1922, by the Pacific Southwest Trust & Savings Bank of Los Angeles, and has since that time been conducted as an agency of the First National Bank of Los Angeles.

There were only two private banks organized in California during the fiscal year of 1903, i. e., the Bank of A. Levy of Oxnard, and the Nichi Bei Ginko of San Francisco. The former incorporated on July 28, 1905, with A. Levy, president, and Alpha Adams, cashier, and with a capital of \$200,000. The Nichi Bei Ginko was the first *bona fide* Japanese bank established in California. It was more commonly known as the Japanese-American Bank of San Francisco. The first data which I have concerning that institution are for August 25, 1905, when it was possessed of a paid up capital stock of \$20,000. T. Nakamura was manager at that time. On February 1, 1906, it incorporated as the Japanese-American Bank with K. Uyeda as president, and M. Minabe as cashier, and with an authorized capital stock of \$200,000, more than half of which was paid in. It subsequently established a branch in Los Angeles. Both the San Francisco head office and the southern branch were closed by order of the superintendent of banks on October 18, 1909.

During 1903, ten national banks were organized. They were as follows:

Name and Location of Banks	Date of Incorporation	Capital	First President	First Cashier
NATIONAL BANKS				
First National Bank, Porterville.....	April 17, 1903	\$ 25,000	W. Mentz	H. C. Carr
Hanford National Bank.....	May 28, 1903	50,000	J. Ross	H. E. Wright
Orange Growers National Bank, Riverside.....	June 13, 1903	100,000		
Petaluma National Bank.....	July 31, 1903	100,000	H. Schluckebier	J. H. Gwinn
Commercial National Bank, Los Angeles.....	July 29, 1903	200,000	W. A. Bonyne	C. N. Flint
First National Bank, Oroville.....	Sept. —, 1903	50,000	S. C. Lillis	W. W. Gingles
First National Bank, Monterey.....	Dec. 9, 1903	50,000	B. G. Tognazzi	A. G. Metz
First National Bank, Visalia.....	Dec. 12, 1903	100,000	W. F. Thomas	S. Mitchell
First National Bank, Palo Alto.....	1903	30,000		
First National Bank, Tulare.....	1903-1904			

The Hanford National Bank was sold to the Bank of Italy on May 5, 1924. The Orange Growers National Bank of Riverside was forced to suspend on March 23, 1904. All claims were paid in full. The Petaluma National Bank was sold to the Mercantile Trust Company of San Francisco on January 27, 1923. The Commercial National Bank of Los Angeles, in 1924, became very closely associated with the Bank of America of Los Angeles through a stock control arrangement, the stock of both banks

being controlled by the Americommercial Corporation, which in its turn was controlled by the Bancitaly Corporation. The Commercial National Bank on August 19, 1925, changed its title to the Commercial National Trust & Savings Bank of Los Angeles. It was very active in forcing the hand of the United States Comptroller of Currency in the branch banking issue, and was really the cause of an order being issued allowing national banks to establish local agencies or tellers' windows. We shall have more to do with the branch banking activities of this institution and its affiliations in Chapter XXV. W. A. Bonyngne, its first president, was one of the earlier bankers in the southern part of the state, and left his impress upon a number of institutions. He died April 2, 1924, when seventy years of age. He had been born in England, and came to the United States at nineteen years of age. After amassing a fortune in the mines of Virginia City, Nevada, he removed to San Antonio, Texas, where he engaged for some years in the insurance business. He arrived in Los Angeles in 1887, and later assisted in organizing the Traders Bank, the Market and Produce Bank, the Home Building and Loan Association, and the Commercial National Bank, all of Los Angeles, and also banks in Riverside and Bakersfield. He was on the board of directors of many of the banks acquired by the Bank of Italy in Southern California. The First National Bank of Visalia was purchased by the Pacific Southwest Trust & Savings Bank of Los Angeles on July 1, 1922.

The Board of Bank Commissioners in its summarized report for the fiscal year ending August 18, 1904, presented data on 423 banks. Of that number 73 were national banks, 245 were state commercial banks, 87 were savings banks and 18 were private banks, an increase of 13 national banks and 54 commercial, savings and private banks. Two savings banks, 6 commercial banks including the branch of the Comptoir National D'Escompté de Paris, and 2 private banks, had retired during the fiscal year in question, while 41 commercial banks, 21 savings banks and 1 private bank had been organized. The banks of the state continued to reflect the prosperity of the people as is evidenced by a reported increase of \$15,473,208 in deposits and of \$24,462,391 in total resources over the fiscal year of 1903. The following state chartered and private banks were organized during 1904:

Name and Location of Bank	Date of Incorporation	Capital	First President	First Cashier
STATE CHARTERED BANKS				
State Bank of Dunsmuir.....	Jan. 15, 1904		E. V. Carter	B. O. Tupper
Mechanics Savings Bank, San Francisco	Jan. 21, 1904	\$250,000		
Analy Savings Bank, Sebastopol.....	Feb. 1, 1904			
Savings Bank of Trinity County, Weaverville	Feb. 1, 1904	10,000		
South Pasadena Bank.....	Feb. 23, 1904			
Bankers Savings Bank, Pasadena.....	Mar. 3, 1904	50,000	I. Bailey	E. E. Webster
Savings & Trust Company of San Mateo County, Redwood City....	Mar. 10, 1904			
Home Savings Bank, Los Angeles...	Mar. 15, 1904	200,000	R. J. Waters	O. J. Wigdal
First Bank of Highland.....	Mar. 28, 1904	30,000	Herbert W. Johnstone	Wakefield Phinney
Union Savings Bank, Redlands.....	Apr. 1, 1904			
Bank of Willits.....	Apr. 11, 1904			
Bank of Rio Vista.....	Apr. 12, 1904	50,000	L. P. Larsen	H. G. Perry
McCloud Valley Bank, McCloud....	Apr. 23, 1904		J. H. Queal	William Thompson
Solano County Bank, Suisun.....	May 3, 1904			
San Fernando Valley Bank, Fernando (later San Fernando).....	May 21, 1904	25,000	J. E. Wheat	T. J. Walker
Peoples Bank of Benicia.....	June 1, 1904			
Kingsburg State Bank.....	June 15, 1904			
First State Bank of Clovis.....	July 20, 1904			
Bank of Calistoga.....	July 23, 1904	25,000	C. A. Stevens	H. Stevens
Citizens Savings Bank, San Diego..	Aug. 2, 1888		L. J. Wilde	Fred Jewell
Bank of Italy, San Francisco.....	Aug. 10, 1904	300,000	L. Scatena	A. Pedrini (Asst.)
Sanger State Bank.....	Aug. 25, 1904	25,000	D. S. Snodgrass	T. H. Christy
Home Savings Bank, Ventura.....	Sept. 15, 1904	25,000	John Carne	E. W. Carne
Farmers & Merchants Bank, Fullerton	Sept. 24, 1904	25,000	C. C. Chapman	Arthur Staley
Oxnard Savings Bank.....	Oct. 4, 1904	25,000	J. A. Drifill	F. H. Thatcher
Redwood City Commercial Bank....	Oct. 8, 1904	25,000	G. R. Sneath	L. B. Thomas
Scandinavian-American Savings Bank, San Francisco	Dec. 14, 1904	300,000	Charles Nelson	L. I. Cowgill
Hollywood Savings Bank & Trust Company	Dec. 19, 1904	25,000	John Law (vice)	J. E. Law
Mayfield Bank & Trust Company....	Dec. 30, 1904	25,000	Alex Peers	H. P. Bennett
Russo-Chinese Bank, San Francisco.	Dec. 10, 1895			
PRIVATE BANK				
Bank of Newcastle.....	1903-1904	10,000	John A. Chantry	Jesse M. Chantry

During the intervening years the following changes have occurred: The Mechanics Savings Bank of San Francisco had among its directors such prominent San Francisco capitalists as F. W. Dohrmann, Jr., J. J. Fagan, Marshal Hale, C. C. Moore, and H. T. Scott. It was sold to the Bank of Italy on October 17, 1910. The Analy Savings Bank of Sebastopol sold its commercial business to the Sebastopol National Bank on March 24, 1918, and has since that time operated as a savings bank. The Savings Bank of Trinity County, located at Weaverville, was sold to the Trinity County Bank of Weaverville on September 10, 1909. The South Pasadena Bank later changed its title to the South Pasadena Savings Bank. On October 18, 1911, it added a commercial department, which was subsequently sold to the First National Bank of Pasadena. The South Pasadena Savings Bank was absorbed by the Security Trust & Savings Bank of Los Angeles on August 19, 1922. The Bankers Savings Bank of Pasadena and the Crown City Savings Bank of that city were merged some time during 1907-1908. On July 7, 1911, the resulting institution was sold to the American Bank & Trust Company of Pasadena, which on September 30, 1912, changed its title to the Crown City Savings & Trust Company. A trust depart-

and was added in August 8, 1914. On November 18, 1914, the title was changed to the Crown City Trust & Savings Bank. On June 28, 1916, it closed its commercial department, and on August 8, 1919, was nationalized as the National Bank & Trust Company of Pasadena. It absorbed the National Bank of Pasadena in October 27, 1919, and was in process of being purchased by the Century Trust & Savings Bank of Los Angeles when the Century Trust & Savings Bank of Los Angeles purchased the assets of the bank, which included those of the Pasadena institution. In December 8, 1921, it became the Pasadena branch of the Century Trust & Savings Bank of Los Angeles. The Century Trust Company of San Mateo County, located at Redwood City, became the Savings & Loan Company of San Mateo County in January 8, 1914. On September 14, 1917, it was sold to the Bank of Italy. The Home Savings Bank of Los Angeles absorbed the Manhattan Savings Bank of that city in 1908 and the Bank of Los Angeles in 1909. It added a commercial department in November 22, 1912. On May 28, 1913, it purchased the American Savings Bank of Los Angeles, and on October 22 of that year was absorbed the Glendale Savings Bank of Los Angeles. In June 27, 1920, it merged with the Hibernian Savings Bank, the resulting institution being known as the Home & Hibernian Bank. The title of the latter was, however, changed on November 12, 1920, to the California Bank of Los Angeles. The California Bank in February 25, 1927, controlled 44 branches in and near Los Angeles.

The Union Savings Bank of Redlands was sold to the Hellman Commercial Trust & Savings Bank of Los Angeles on March 15, 1922. The McCloud Valley Bank, located at McCloud, was nationalized in July 15, 1909, as the McCloud National Bank. The Colusa County Bank of Suisun became the First National Bank of Colusa in February 28, 1912. The San Fernando Valley Bank of Fernando, which city later became San Fernando, was sold to the First National Bank of that city on November 29, 1908. The latter institution was absorbed by the Bank of Italy in August 12, 1925. The Peoples Bank of Benicia had been in operation for some years as a private bank. The Kingsburg State Bank became the First National Bank of Kingsburg in 1908. The First State Bank of Clovis was closed by the State superintendent of banks on March 24, 1925. The Bank of Cal-

istoga was an incorporation of the private banking business of C. A. Stevens. It absorbed the First National Bank of Calistoga on February 16, 1907, but was closed by order of the bank commissioners on May 22, 1908. Dr. C. M. Briggs of San Diego was engaged in organizing the Citizens Savings Bank of San Diego under an old charter dated August 2, 1888, when he died suddenly. His stock was purchased by W. A. Wilde and Fred Jewell, who completed its organization and opened it for business on August 5, 1904. The Citizens Savings Bank was sold to the First Trust & Savings Bank of that city on December 30, 1922.

The Bank of Italy, at present the largest bank in California and one of the largest in the United States, grew out of the movement in San Francisco during the early '90s to establish a banking house which would be intimately concerned with the needs and interests of the large Italian population of that city. As has been noted in the preceding chapters, the first bank to be established with that idea in mind was the Columbus Savings & Loan Society, organized in 1893. Out of this original Italian bank came two other institutions, the Italian-American Bank and the Fugazi Banca Popolare Operaia Italiana. The Bank of Italy may likewise be said to have grown out of this first Italian bank, because its founders had also been connected with that institution. The three groups that had broken away from the management of the parent institution had done so primarily because they differed in one regard or another with its management over certain questions of policy. A. P. Giannini and L. Scatenena were the two men who were responsible for the incorporation of the Bank of Italy. They had certain ideas regarding banking matters which they could not work out except as the managers of their own institution. For several years after its incorporation, the Bank of Italy was known as the "Baby Bank." It was, however, a lusty infant, full of vigor and energy, and immediately began to introduce new policies, which in more ways than one startled the old conservative bankers of San Francisco, and later, of the state at large. It forged ahead with rapid strides, but it was the circumstances arising out of the big fire in 1906 that afforded an opportunity for it to serve its depositors in a way that created a deep and lasting impression. When the fire of April 18, 1906, broke out, the bank's officers loaded two huge wagons with treasure, records and office stationery, and removed them

safely to the home of its manager, A. P. Giannini, at San Mateo. On the fifth day, the latter was able to assemble a sufficient office force with which to start operations on a small scale. Letters were sent to all depositors advising them that the bank was pleased to permit them to draw out a certain quota of their accounts, and that it would also readily loan them money for building purposes. No other bank in San Francisco was able to act so quickly. Needless to say, such an offer brought faith and courage to many who had lost hope in the future of the city beside the Golden Gate. On April 27th, the bank removed its effects to the San Francisco home of A. H. Giannini on Van Ness Avenue, where business was continued in about the usual manner. Cash received and paid out about balanced each other, and in a short time the tide turned in favor of deposits. On May 21st, the bank moved back into the Italian district, and its officers immediately set about to see what could be done to assist in rebuilding that section of the city. Largely through its efforts, the North Beach District was one of the first to rise from the ashes.

Shortly thereafter the Bank of Italy entered upon a program of expansion. In 1907, it established its first branch in the Mission District. In December, 1909, it purchased the Commercial & Savings Bank of San Jose. In 1910, it absorbed the Bank of San Francisco and the Mechanics Savings Bank of San Francisco. During the next fifteen years, scores of branches were added, primarily through the purchase of existing institutions. Its expansion was temporarily halted, however, by certain rulings of the State superintendent of banks and the Federal Reserve Board, which will be more fully discussed in Chapter XXV. Its officers, however, had organized the Liberty Bank of San Francisco in 1921 and the Bank of America of Los Angeles in 1923, both of which remained outside of the Federal Reserve system. Through them the Bank of Italy interests continued the program of acquiring additional branches. The Liberty Bank confined itself to the northern part of the state and the Bank of America to the southern. On January 27, 1927, the Bank of America, the Commercial National Trust & Savings Bank, the Southern Trust & Commerce Bank of San Diego, and the Liberty Bank were merged as the Liberty Bank of America, and on February 19, 1927, the latter was merged into and with the Bank of Italy. This gave the Bank of Italy 276 branches in 199 California cities. On February 28, the

Bank of Italy entered the National Banking System, becoming the Bank of Italy, National Trust & Savings Association. With deposits of \$600,000,000 and over 1,000,000 customers, it now (February, 1927) ranks as the third largest bank in the country, and the largest outside of New York City. A more detailed discussion of the Bank of Italy, the Bank of America, the Liberty Bank and certain affiliated institutions will appear in Chapter XXV.

The Sanger State Bank was nationalized as the First National Bank of Sanger about four years after its incorporation. On February 3, 1923, it was sold to the Valley Bank of Fresno, and on March 1, 1924, was taken over as the Sanger branch of the Bank of Italy. The Farmers & Merchants Bank of Fullerton was nationalized on September 12, 1909, as the Farmers & Merchants National Bank of Fullerton. It was sold to the Bank of America of Los Angeles on April 25, 1925. The Oxnard Savings Bank was sold on July 1, 1922, to the Los Angeles Trust & Savings Bank. The Redwood City Commercial Bank was sold to the Bank of Italy on September 14, 1917. San Francisco had quite a large number of Scandinavians among its population. A group of local capitalists, therefore, deemed it advisable to organize a bank, which would be more or less intimately associated with the interests of that race, and on December 14, 1904, incorporated the Scandinavian-American Savings Bank. In November, 1906, it nationalized its commercial department as the Merchants National Bank, and incorporated its savings department as the Scandinavian Savings Bank. The latter was incorporated under an old charter bearing the date of April 25, 1889. I have been unable to trace the original owner of that charter. The Scandinavian Savings Bank was absorbed by the Merchants National Bank on September 1, 1909, which had also absorbed the United States National Bank of San Francisco on December 31, 1908. On May 31, 1912, it purchased the Western Metropolis National Bank. After playing an active part in the banking world for many years, the Merchants National Bank was purchased by the Sacramento-San Joaquin Bank of Sacramento on January 31, 1923. On March 13, 1923, the title of this merged bank with its group of branch banks was changed to the United Bank & Trust Company of California, and its head office removed from Sacramento to San Francisco. The Hollywood Savings Bank &

Trust Company became the Hollywood Savings Bank about four years after its incorporation, and on July 1, 1922, was purchased by the Los Angeles Trust & Savings Bank, which later became the Pacific Southwest Trust & Savings Bank of Los Angeles. The Mayfield Bank & Trust Company changed its title on May 5, 1914, to the Mayfield Bank. On May 31, 1918, it removed to Palo Alto, a few miles distant, and changed its title to the Stanford Bank. It was purchased by the Liberty Bank of San Francisco on October 31, 1925. The Russo-Chinese Bank, a foreign institution, opened a San Francisco branch in 1904. It voluntarily closed the latter on November 15, 1910.

There was one new private bank organized during the fiscal year of 1904, and that was the Bank of Newcastle with John A. Chantry, president, and Jessie N. Chantry, cashier. It began operations with about \$10,000 capital stock. It incorporated July 6, 1907, with a paid up capital stock of \$25,000. On January 23, 1914, it added a savings department. It was sold to the Placer County Bank of Auburn on October 24, 1916, and continued as a branch of that institution.

Eight national banks were established in California in 1904. They were as follows:

Name and Location of Bank	Date of Incorporation	Capital	First President	First Cashier
NATIONAL BANKS				
First National Bank, San Pedro.....	Jan. 22, 1904	\$ 25,000	R. D. Sepulveda	Charles Nicolai
First National Bank, Napa.....	Feb. 11, 1904	50,000	H. P. Goodman	E. L. Bickford
First National Bank, Ventura.....	Mar. 31, 1904		John Carne	E. W. Carne
First National Bank, Madera.....	July 13, 1904	25,000	J. L. Butin	L. Elliott
First National Bank, Fowler.....	Aug. 25, 1904	25,000	J. D. Hickman	J. F. Avenell
American National Bank, San Diego.	Sept. 13, 1904	100,000	L. J. Wilde	W. H. Hubbard
First National Bank, Oakdale.....	Dec. 19, 1904	60,000	E. Rodden	W. L. Rodden
First National Bank, Sonora.....	1904	25,000	Paul Morris	C. A. Belli

The First National Bank of Napa was the result of the nationalization of the commercial department of the Commercial & Savings Bank of Napa, and came about primarily as the result of the activities of E. L. Bickford, who for a number of years had been the cashier of the latter institution. The savings business of the Commercial & Savings Bank of Napa was conducted under the latter title until in 1906 when it became the Napa Savings Bank. In 1916, however, it transferred practically all of its assets to the First National Bank, the remainder being taken over by the Bank of Napa. W. A. Wilde of San Diego, who had participated in the organization of the Citizens Savings Bank of that city in August, 1904, also was the moving force behind

the incorporation of the American National Bank of San Diego. On March 18, 1916, it purchased the Marine National Bank of San Diego, and on December 29, 1917, was consolidated with the First National Bank of that city. Wilde was also active in organizing the United States National Bank of San Diego. The First National Bank of Oakdale was a nationalization of the commercial department of the Bank of Oakdale.

There were no unusual developments in the banking realm of California during 1905. At the close of the fiscal year ending August 25, 1905, the bank commissioners reported on 490 banking institutions, a net gain over the preceding year of 22 savings banks, 30 commercial banks, 5 private banks, and 14 national banks. The assets of the state chartered institutions had increased by \$43,506,385.

The Legislature in the spring of 1905 passed certain amendments to the banking law which were signed by the governor on March 20th of that year. The bank commissioners Act of 1903 was amended in certain important regards. Where before the commissioners were supposed personally to examine the state banks, the law of 1905 called for the secretary of the board of bank commissioners to make an examination of any bank only when requested to do so by the commissioners. Another amendment prohibited any bank, banking corporation, person, or partnership from making any loan or discount where its own capital stock was offered as security, or from purchasing such capital stock, unless in either case such action was necessary to prevent loss in connection with a debt previously contracted. When a bank under such circumstances acquired its own bank shares, they had to be sold within six months. If not sold, the bank commissioners were authorized to liquidate the offending bank. For the first time in the history of California banking legislation, the law was amended so as to impose reserve requirements, but only upon commercial banks. The latter, whether private or stock in character, were to be required to keep on hand a cash reserve of 20 per cent against demand or immediate liabilities and against time certificates, providing the bank were located in a city having a population of 200,000 or over. If the bank were located elsewhere a cash reserve of 15 per cent was required. It is interesting to note, however, that although the law specifically required that commercial banks should keep the

required reserve "on hand," nevertheless it provided that one-half of such cash reserve might consist in money on call deposited with any solvent bank or trust company. "Cash" included any money issued by the United States government, national bank notes, and exchanges for clearing house associations. Section 20 of the amended law compelled all private bankers to take out a license, and to be subject to all the legal provisions and requirements affecting incorporated banks. Another amendment provided that any corporation, authorized to act as an executor, administrator, guardian, assignee, receiver, depository or trustee, had to have a paid-up capital stock of not less than \$100,000, such sum actually to have been paid in in cash. This latter section was in reality superfluous, because the Legislature of 1905 also enacted a statute amending the trust company law of April 6, 1891, which amendment also contained the above mentioned provision regulating the amount of the capital stock of trust companies. A detailed discussion of this particular measure is deferred to Chapter XX, dealing with "Trust Companies in California."

The Legislature of 1905 also enacted another statute of importance, signed by the governor on March 20, affecting the deposit of State moneys with the banks of California. According to its terms, all money in the State Treasury, not immediately required, might be deposited by the State treasurer in any state or national bank, provided ample security were furnished, and also provided such depositories were selected from those which agreed to pay the highest rate of interest on the State's funds. Such interest rate was not to be less than 2 per cent per year, but was to be determined by bids submitted to the treasurer of the State. The award also had to have the approval of the governor and State comptroller. The State's funds on deposit with a bank could not exceed 25 per cent of the paid-up capital of any depository bank, and were at all times to be subject to withdrawal by the State treasurer. All depository banks were required to place with the State treasurer, bonds of the United States, of California, or of any county, city or school district of California, to an amount in value of at least 10 per cent over and above the State's funds deposited with such bank. Minor changes have been made in this statute with the passage of years, but the principle involved, of depositing surplus funds with the banks of the State, has continued down to date. Increasingly larger amounts have been de-

posited from year to year, and the returns to the State have been accordingly greater. The total interest paid to the State government in 1925, reached the astounding sum of \$1,216,753, or more than \$221,950 over the returns for 1924. This return was large enough to pay the salaries of all the elective State officials, the members of the State Board of Control, the State Printing Office, the State Railroad Commission, and the judges of the State Supreme Court and of the State Appellate Court. In April, 1926, there were 320 agreements in effect with California banks governing the deposit of State funds.

Another progressive step taken by the 1905 Legislature in connection with banking matters was the enactment of Section 580 of the Civil Code, which for the first time required that any incorporated bank should not begin operations with less than a minimum amount of capital stock paid in, the amount required to be paid in depending upon the population of the city in which the bank was located. No bank could begin operations with an authorized capital stock of less than \$25,000. In cities with a population ranging from 5,000 to 10,000 inhabitants, the capital stock was fixed at \$50,000; in those having from 10,000 to 25,000 inhabitants, it was fixed at \$100,000; and in cities with more than 25,000 inhabitants, it was fixed at \$200,000. Before the secretary of state was permitted to issue a certificate covering the filing of the articles of incorporation, it was necessary for such bank, whether savings, commercial, or commercial and savings, to file with him an affidavit to the effect that all of the required capital stock had been actually subscribed and that at least 50 per cent of it had been paid in in lawful money of the United States. The remainder of the capital stock had to be paid up within two years after the bank had received its certificate of incorporation. If such were not the case, the bank was prohibited from continuing in operation. It should be noted, however, that the provisions of Section 580 of the Civil Code did not apply to banking corporations already in existence.

With the new enactments of 1905, requiring commercial banks to keep a definite reserve behind deposit liabilities and also requiring the banks subsequently chartered to have a minimum paid-up capital stock before opening their doors, it appeared that California was at last headed in the direction of a satisfactory set of banking laws. Two years later, however, a Superior Court judge

of Sacramento County declared Section 580 of the Civil Code to be unconstitutional. As a consequence of that decision, the Legislature of 1907 repealed Section 580 and enacted another measure in the hope of obtaining the same end. The law of March 18, 1907, compelled every person or corporation, except savings and loan corporations, engaged in the banking business, to have at all times a paid-up capital stock equal to at least 10 per cent of the total amount owing to depositors, banks and creditors. A proviso added to this prohibition declared that under no circumstances should any bank be capitalized at less than \$25,000, and under no circumstances should any institution, no matter how great its obligations to depositors, banks and creditors, be required to have a capital stock of more than \$1,000,000. A bank was permitted, however, to include net surplus as part of its paid-up capital. The statute applied to every bank or individual which at that time was transacting business in California, or which might thereafter transact such business, the only exceptions to the rule being savings and loan corporations. This statute remained in effect until displaced by the comprehensive Bank Act of 1909.

During 1905 the following state chartered and private banks were established:

Name and Location of Banks	Date of Incorporation	Capital	First President	First Cashier
STATE CHARTERED BANKS				
Stanislaus County Savings Bank, Oakdale	Jan. 23, 1905	\$ 30,000	Ed Rodden	W. L. Rodden
Union Trust & Savings Bank, Santa Rosa	Jan. 24, 1905	100,000	E. F. Woodward	E. C. Merritt
Salinas Valley Savings Bank, Salinas	Jan. 28, 1905	25,000	I. K. Alexander (V-P)	A. J. Whisman
Bank of Wilmington	Jan. 31, 1905	25,000	P. E. Hatch	F. S. Cary
Metropolitan Bank & Trust Company, Los Angeles	Feb. 20, 1905	250,000	F. P. Flint	Jay Spence
Salinas City Bank of Savings	Feb. 21, 1905	30,000	J. H. McDougall	F. S. Clark
International Banking Company, Cal-exico	Feb. 23, 1905	25,000	S. A. Thing	E. T. Aiken
Bank of Fortuna	Mar. 2, 1905	25,000	E. W. Haight	A. H. Smith
Consolidated Bank of Los Angeles ..	Mar. 5, 1905	25,000	William H. Carlson	A. W. Carver
First State Bank, Cal-exico	Mar. 6, 1905	25,000	LeRoy Holt	J. A. Morrison
Bank of Auburn	Mar. 8, 1905	25,000	William Nichols	J. M. Francis
Modesto Savings Bank	Mar. 8, 1905	50,000	J. R. Broughton	C. D. Swan
Gardena Bank & Trust Company	Mar. 22, 1905	25,000	B. E. Jones (V-P.)	I. S. Ball
Escondido Savings Bank	Mar. 28, 1905	25,000	A. W. Wohlford	E. E. Turrentine
Bank of Anderson	Mar. 31, 1905	25,000	M. E. Wilson	W. C. Barkuloo
Lompoc Valley Bank, Lompoc	Apr. 1, 1905	50,000	George S. Edwards	R. A. Lazier
Commercial Bank, Ocean Park	Apr. 1, 1905	25,000	L. A. Pratt	J. W. Lawrence, Jr.
Solano County Savings Bank, Suisun ..	Apr. 3, 1905	50,000	E. L. Reese	E. D. Holly
Seaboard Bank, San Francisco	Apr. 17, 1905	250,000	C. M. Goodall	W. A. Houts
Surprise Valley Bank, Cedarville	Apr. 18, 1905	25,000	T. H. Johnstone	F. E. Bush
State Bank, Long Beach	May 1, 1905	100,000	Walter Snider	H. Barnsdollar
Bank of Half Moon Bay	May 6, 1905	50,000	A. D. Bowen	J. R. Pereino
American Savings Bank, Anaheim ..	May 8, 1905	25,000	F. Shanley	J. Harting
Farmers & Merchants Savings Bank, Lompoc	May 11, 1905	25,000	Robert Sudden	J. Klein
Farmers Union Bank of San Jose	May 11, 1874	200,000	W. C. Andrews	A. C. Mathew
Security Savings Bank of Stanislaus County, Modesto	May 15, 1905	25,500	W. R. High	F. A. Cressey
Bank of Commerce, Long Beach	May 18, 1905	100,000	C. A. Buffum (V-P.)	F. McCrutchcheon
Bank of Glendale	May 19, 1905	25,000	J. C. Kays	J. C. Sherer
Bank of Coalinga	May 12, 1905	25,000	S. E. Biddle, Jr., (V-P)	H. C. Kerr
First State Bank of Inglewood	May 27, 1905	25,000	C. H. Brown	W. G. Brown
Security Savings Bank & Trust Company, San Diego	May 29, 1905	125,000	Julius Waugenheim	N. R. Titus

Name and Location of Banks	Date of Incorporation	Capital	First President	First Cashier
Santa Monica Savings Bank.....	June 2, 1905	25,000	T. H. Dudley	G. F. Doty
South San Francisco Bank.....	June 3, 1905	50,000	P. N. Lilienthal	M. E. Glucksman
Savings Bank & Trust Co., Pomona.	June 7, 1905	50,000	L. T. Gillett	F. C. Eells
Provident Bank, San Francisco.....	June 12, 1905	200,000	S. P. Young	E. F. Hughes
Bank of Centerville.....	June 13, 1905	26,380	J. G. Mattos, Jr.	J. Dias
Selma Savings Bank.....	June 22, 1905	25,000	D. S. Snodgrass	W. O. Freeland
The California Savings Bank, Petaluma	June 23, 1905	50,000	A. J. Bloom	J. H. Gwinn
Savings Bank of Huntington Beach..	July 1, 1905	25,000	W. T. Newland	J. F. Heartwell
Bank of Point Arena.....	July 15, 1905	25,000	J. C. Halliday	P. W. Haggreen
Bank of Venice, Ocean Park.....	July 29, 1905	50,000	David Evans	C. R. Randall
Banning State Bank.....	July 30, 1905	25,000	J. M. Westerfield	C. R. John
Peoples Savings Bank, Redondo....	Aug. 1, 1905	25,000	J. A. Graves	A. H. Klein
Bank of Los Banos.....	Aug. 3, 1905	100,000	H. Miller	W. Lees
Butte County Savings Bank, Chico..	Aug. 14, 1905	100,000	N. D. Rideout	E. T. Williamson
Livermore Savings Bank.....	Sept. 2, 1905	25,000	A. J. Treat	F. Mathiesen
Farmers & Merchants State Bank, Mountain View	Sept. 16, 1905	50,000	J. S. Mockbee	W. L. Camp
Livermore Valley Savings Bank.....	Oct. 5, 1905	25,000		
Bankers Trust Company, Oakland....	Oct. 13, 1905	300,000	W. W. Garthwaite	J. A. Thomson
Fillmore State Bank, Fillmore.....	Oct. 13, 1905	25,000	F. W. Ewing	N. F. Maw
Bank of Morgan Hill.....	Oct. 14, 1905	25,000	E. J. Votaw	M. C. Votaw
Bank of Pinole.....	Oct. 28, 1905	25,000	J. Birmingham	E. M. Downer
German-American Bank, Anaheim....	Oct. 30, 1905	30,000	H. W. Chynoweth	C. A. Boege
Bank of Guerneville.....	Oct. 31, 1905	25,000	William Carr (V.-P.)	H. L. Bagley
Valley State Bank, El Centro.....	Nov. 9, 1905	100,000	W. F. Holt	T. Vencill
Bank of Huntington Park.....	Nov. 24, 1905	25,000	T. E. Newlin	A. E. Walters
Santa Paula Savings Bank.....	Nov. 28, 1905	25,000	C. H. McKevett	A. L. Shively
Portuguese-American Bank, San Francisco	Nov. 29, 1905	200,000	M. T. Freitas	V. L. de Figuendz
Home Savings Bank, Santa Ana.....	Dec. 1, 1905	25,000	W. A. Huff	J. A. Turner
Market & Produce Bank, Los Angeles	Dec. 1, 1887	50,000	W. A. Bonyngne	J. O. Butler
Bank of Los Angeles.....	Dec. 1, 1905	100,000	John A. Pirtle	G. F. Conant
Fraternal Savings & Commercial Bank, Los Angeles.....	Nov. 14, 1886	100,000	Addison Lysle	A. W. Wright
Main Street Bank, Los Angeles.....	May 23, 1887		J. M. Carpenter	E. W. Deibler
South Side Bank, Los Angeles.....	Mar. 5, 1903	25,000	C. J. Goodenow	F. E. Porter
Bank of Sunnyvale.....	Dec. 8, 1905	25,000	W. E. Crossman	C. O. Spalding
Producers Savings Bank, Visalia....	Dec. 30, 1905	25,000	S. Mitchell	C. M. Griffith
Bank of America, San Francisco....	Feb. 19, 1887	1,000,000	C. M. Brune	J. B. Duggan
Citizens State Bank, San Francisco.	Apr. 25, 1892	400,000	I. J. Truman	E. E. Ragland
Renters' Loan & Trust Company, San Francisco	Mar. 15, 1890	500,000	George M. Perine	C. S. Scott
PRIVATE BANKS				
Bank of Corning.....	1904-1905	20,100	William Dale	Robert Davies
Sierra Valley Bank, Loyalton.....	1904-1905			J. J. Millar
Japanese Bank of Sacramento.....	1904-1905			
N. W. Halsey & Co., San Francisco.	1904-1905	100,000	N. W. Halsey	A. N. Kemp
D. G. Doubleday, San Francisco....	1904-1905	25,000		T. D. Black
E. F. Hutton & Co., San Francisco..	1904-1905	25,000		
Bank of Alex Brown, Walnut Grove..	1905	10,000	Alex Brown	F. E. Brown

A large number of changes have since occurred among the banks organized in 1905. The stockholders of the Bank of Oakdale, in the latter part of 1904, had organized the First National Bank to take over its commercial business. On January 23, 1905, they incorporated the Stanislaus County Savings Bank to take over its savings business. The Union Trust & Savings Bank of Santa Rosa sold its commercial department to the Santa Rosa National Bank on June 11, 1911, and on April 3, 1914, changed its own title to the Union Savings Bank of Santa Rosa. It was forced to close its doors on September 30, 1918, as a consequence of the failure of its affiliated institution, the Santa Rosa National Bank. The Salinas Valley Savings Bank of Salinas was sold to the Bank of Italy on June 20, 1923. The Bank of Wilmington became the First National Bank of Wilmington on August 30, 1909. It was sold to the Pacific Southwest Trust & Savings Bank of Los Angeles on February 25, 1924. The Metropolitan Bank

& Trust Company of Los Angeles merged with the Los Angeles Trust Company on December 8, 1909, to form the Los Angeles Trust & Savings Bank, which later provided the nucleus around which the extensive branch banking business of the Pacific Southwest Trust & Savings Bank was built. More of the details regarding its history will be given in subsequent chapters. The Salinas City Bank of Savings was purchased on May 5, 1910, by the Salinas City Bank, which had been incorporated May 10, 1873. The International Banking Company of Calexico changed its title on September 4, 1920, to the Central Bank of Imperial Valley. W. H. Carlson, a real estate promoter of Los Angeles, organized the Consolidated Bank of that city on March 5, 1905, with a capital stock of \$25,000, about half of which was paid in. Carlson's real estate speculations turned out most disastrously, with the result that the bank became seriously involved and was closed by order of the bank commissioners on June 4, 1908.

The First State Bank of Calexico became the Calexico Savings Bank on May 27, 1910, and on April 17, 1912, voluntarily liquidated. The Bank of Auburn was sold a short time after its incorporation to the Placer County Bank of that city. The Gardena Bank & Trust Company became the First National Bank of Gardena on October 3, 1913. The Escondido Savings Bank was absorbed by the Southern Trust & Commerce Bank of San Diego on July 28, 1926. The Bank of Anderson was purchased on February 3, 1915, by the First Savings Bank of Shasta County, located at Redding, and was continued as the Anderson branch of that institution until the latter was sold to the Liberty Bank of San Francisco on November 28, 1925. The Lompoc Valley Bank and the Lompoc Valley Savings Bank, both located at Lompoc, were merged on February 16, 1920, with the Commerce & Savings Bank of Carpinteria and the Commercial Trust & Savings Bank of Santa Barbara to form a new Commercial Trust & Savings Bank of Santa Barbara. On July 1, 1922, the latter institution was purchased by the Los Angeles Trust & Savings Bank, which later became the Pacific Southwest Trust & Savings Bank of Los Angeles. The Commercial Bank of Ocean Park was merged in 1907 with the Ocean Park Bank. On January 2, 1923, the Ocean Park Bank, with branches at Venice and Santa Monica, was sold to the Pacific Southwest Trust & Savings Bank of Los

Angeles. The Seaboard Bank of San Francisco was nationalized in 1908 as the Seaboard National Bank. On September 3, 1920, it was purchased by the Anglo-California Trust Company of San Francisco, and has since that time been conducted as the Seaboard branch of the latter. The Surprise Valley Bank of Cedarville was purchased on January 14, 1924, by the Bank of Fort Bidwell, which on March 24, 1924, became the Modoc County Bank of Alturas. The State Bank of Long Beach voluntarily dissolved on May 24, 1912. The American Savings Bank of Anaheim was sold to the Bancitaly Corporation in the fall of 1926. The Farmers & Merchants Savings Bank of Lompoc became the Farmers & Merchants National Bank of Lompoc on June 14, 1920, and on August 5, 1920, consolidated with the First National Bank of Lompoc under the latter's charter. The resulting institution was purchased by the Bank of Italy on June 18, 1921. Although the Farmers Union Bank of San Jose was incorporated May 11, 1847, it did not enter the banking field, so far as I have been able to ascertain, until some time during 1905-1906. It voluntarily closed its doors on October 16, 1912.

The Security Savings Bank of Stanislaus County, located at Modesto, was sold to the Bank of Italy on January 30, 1917. The Bank of Commerce of Long Beach was sold, about a year after incorporation, to the First National Bank of Long Beach. The Bank of Glendale was sold to the Los Angeles Trust & Savings Bank on August 23, 1920. The Bank of Coalinga voluntarily retired November 20, 1916. The First State Bank of Inglewood became the First National Bank of Inglewood in 1908. It was sold to the Pacific Southwest Trust & Savings Bank on April 24, 1926. The Security Savings Bank & Trust Company of San Diego merged in September, 1907, with the San Diego Bank of Commerce & Trust Company, and became the Southern Trust & Commerce Bank of San Diego. The latter institution purchased the American State Bank of Brawley on November 1, 1919, the El Centro National Bank on June 30, 1920, the National City State Bank on April 14, 1922, the Home Savings Bank of Escondido on July 3, 1924, the Escondido Savings Bank on June 30, 1926, and the Escondido National Bank on July 30, 1926, and was sold to the Bancitaly Corporation in January, 1927.

The Santa Monica Savings Bank was sold to the Bank of

Santa Monica on May 26, 1909, the latter in its turn being purchased by the California Bank of Los Angeles on February 1, 1922. The Savings Bank & Trust Company of Pomona became the Savings Bank of Pomona on May 25, 1914, and on December 1, 1923, changed its title to the Pomona Commercial and Savings Bank. The Provident Bank of San Francisco did not justify the faith of its incorporators and retired within a year after its incorporation. The Bank of Centerville added a savings department on January 29, 1917, and on May 29, 1920, became the First National Bank of Centerville. The Bank of Italy had purchased control of the institution on October 18, 1918, but did not take it over and operate it as a branch until July 5, 1921. The California Savings Bank of Petaluma was purchased by the Mercantile Trust Company of San Francisco on January 27, 1923. The stockholders of the First National Bank of Huntington Beach organized the Savings Bank of Huntington Beach on July 1, 1905, with W. T. Newland, president, and J. F. Heartwell, cashier. The Savings Bank of Huntington Beach voluntarily closed its doors on May 17, 1919.

The Bank of Venice became the Venice Savings Bank on December 31, 1912. On June 21, 1913, it sold its commercial department to the First National Bank of Venice and reincorporated as the Venice Savings Bank. The Banning State Bank became the First National Bank of Banning some time during 1908-1909. The Peoples Savings Bank of Redondo soon discovered that there was not sufficient business to justify its existence, and liquidated in 1908, paying all claims in full. The Bank of Los Banos established branches at Gustine, Firebaugh and Dos Palos. Its branch at Gustine was sold to the Bank of Gustine on October 14, 1913. On March 8, 1926, the Bank of Los Banos, with its two remaining branches, was sold to the Liberty Bank of San Francisco. The Butte County Savings Bank of Chico was another of the many banks established in the northern Sacramento Valley by N. D. Rideout and associates. On July 31, 1915, it purchased the savings business of the Bank of Chico. The Livermore Savings Bank was sold to the Bank of Italy on January 27, 1917. The Farmers & Merchants State Bank of Mountain View purchased the Bank of Mountain View on October 27, 1909, and on December 5, 1919, was nationalized

as the Farmers & Merchants National Bank. It was sold to the Bancitaly Corporation in the fall of 1926. The Livermore Valley Savings Bank was sold to the American Bank of Oakland on January 18, 1923.

The Bankers Trust Company of Oakland was incorporated by the stockholders of the Oakland Bank of Savings for the purpose of caring for the trust business of the latter. On March 28, 1910, however, it was absorbed by the parent institution. The Bank of Morgan Hill, although incorporated on October 14, 1905, did not make its first report to the bank commissioners until July 31, 1907. On April 1, 1925, it added a savings department. It was sold to the Bancitaly Corporation in January, 1927. The Bank of Pinole established a branch at Crockett in 1908, and later established other branches at Rodeo and Port Costa. The German-American Bank of Anaheim became the Golden State Bank of Anaheim on August 24, 1918, and on August 27, 1920, was nationalized as the Golden State National Bank. It was sold to the Bank of America of Los Angeles on May 8, 1925. The Valley State Bank of El Centro retired some time during 1908-1909. The Bank of Huntington Park added a savings department on August 29, 1914, and was nationalized as the National Bank of Huntington Park on February 2, 1921. It was sold to the American Commercial Corporation of Los Angeles in February, 1926, and merged into the Huntington Park branch of the Bank of America of Los Angeles. The Santa Paula Savings Bank was sold to the Pacific Southwest Trust & Savings Bank of Los Angeles on February 25, 1924.

The Portuguese-American Bank of San Francisco was the first Portuguese bank to be established in that city, and so far as I have been able to ascertain, it was also the first to be incorporated in California. On May 3, 1921, it purchased the Portuguese-American Bank of Los Banos. Both the head office in San Francisco and its branch at Los Banos were sold to the Mercantile Trust Company of San Francisco on February 25, 1924, and in January, 1927, they became branches of the American Trust Company of San Francisco. The Home Savings Bank of Santa Ana consolidated with the Santa Ana Savings Bank to form the Farmers & Merchants Savings Bank, which was incorporated on June 30, 1919.

During 1905-1906 a number of banks were established in Los Angeles which by a series of mergers and consolidations finally resulted in the organization of the present California Bank of that city. Although the South Side Bank of Los Angeles had been formally incorporated on March 5, 1903, it did not open for business until 1905. The Main Street Bank, the second institution to bear that title, was in reality a successor to the University Bank, which had been incorporated on May 23, 1887. The Market & Produce Bank of Los Angeles began operations under a charter which had been issued to the Bank of Tustin in 1887. The Traders Bank of Los Angeles, which was incorporated on August 10, 1908, with P. E. Wilson, president, and W. W. Jones, cashier, absorbed the Main Street Bank and the Market & Produce Bank in 1908, and the South Side Bank in 1911. It consolidated with the California Savings Bank on December 4, 1915, to form the California Savings & Commercial Bank, which was sold to the Hibernian Savings Bank on June 28, 1919. The Fraternal Savings & Commercial Bank of Los Angeles began operations some time during 1905-1906 under the provisions of an old charter, which it obtained from some place or other, dated November 14, 1886. In 1907, it became the Miners & Merchants Bank of Los Angeles, and in 1909, was merged with the Bank of Los Angeles. The latter in its turn was merged in 1909 with the Home Savings Bank. Two other banks were organized in 1906, which later became parties to the subsequent mergers that finally resulted in the California Bank of Los Angeles. The first of these was the Bank of Southern California, chartered on May 5, 1906, with J. B. Lankershim, president, and O. C. Conley, cashier. It was capitalized at \$500,000, but had only approximately one-tenth of that amount paid in. The second was the Globe Savings Bank, which was incorporated on October 1, 1906, with C. A. Elder, president, and E. J. Scott, cashier. The Globe Savings Bank, which conducted only a commercial banking business, purchased the Bank of Southern California in 1912, and was in its turn purchased by the Home Savings Bank on October 16, 1913. The Home Savings Bank merged with the Hibernian Savings Bank on June 28, 1920, to form the Home & Hibernian Savings Bank, which on November 12, 1920, became the California Bank of Los Angeles.

The Bank of Sunnyvale was sold to the Bank of Italy on June 4, 1921. The Producers Savings Bank of Visalia was sold to the Los Angeles Trust & Savings Bank on July 1, 1922. Three San Francisco banks were opened in 1905 under rather peculiar circumstances, each being organized under old charters which had been obtained from some source or other. The Bank of America, in San Francisco, which came to life in 1905, was established under an old charter bearing the date of February 19, 1887. Its founders had high hopes, for it was incorporated with a capital stock of \$1,000,000. However, only a little more than one-fourth of that amount was paid in. The bank retired within a year, having made no impression on the local market. The Citizens State Bank of San Francisco began operations in 1905 under an old charter bearing the date of April 25, 1892, and was capitalized at \$400,000, but had only \$8,045 paid in at the time of its incorporation. It was closed by order of the bank commissioners on December 18, 1907. The Renters Loan & Trust Company of California obtained a charter, which was presumably that of the Mercantile Bank of San Francisco, bearing the date of March 15, 1890. The Mercantile Bank had voluntarily liquidated in 1891. The Renters Loan & Trust Company was capitalized at \$500,000, only one-tenth of which was paid in. About three years later, it became the Marine Trust & Savings Bank of San Francisco. On January 8, 1913, it sold its commercial business to the Fugazi Banca Popolare Operaia Italiana. On December 2, 1914, the Marine Trust & Savings Bank changed its name to the Marine Bank, and later (July 21, 1916) to the Marine Holding Company. It voluntarily liquidated on August 18, 1916.

There were a number of private banks organized during the fiscal year of 1905. The Bank of Corning was owned by William Dale and Robert Davies. A second Bank of Corning was incorporated, July 28, 1913, and purchased the original Bank of Corning from Mr. Dale, who at that time was its sole owner. The Sierra Valley Bank of Loyalton was owned by J. J. Millar, G. E. Arnold, J. S. Rees, O. G. Hopkins, and W. E. Rees. It was a very small affair, as is shown by the fact that it had only \$1,000 paid into its capital account. It voluntarily retired within a year. The Japanese Bank of Sacramento was organized primarily by a group of Japanese residents of that city. Its owners were G.

Tawara, S. Takezaki, E. Toki, J. Koike, M. Takekawa, N. Imajo, and O. Hine. It started with a capital of \$5,000. After operating for a few years as a private bank, it incorporated on November 22, 1906, with a capital stock of \$50,000, a little more than half of which was paid in. J. Koike was president, and N. Imajo, cashier. It was closed by the State superintendent of banks on October 14, 1909. Three firms, which in reality were stock and bond houses, were also reported by the bank commissioners to be operating as private banks in 1905. They were E. F. Hutton & Company, N. W. Halsey & Company, and D. G. Doubleday, all of San Francisco. The first and last of these three firms were dropped from the list of private banks in 1907. N. W. Halsey & Company continued to be so reported until 1909. Alex Brown was the owner, and F. E. Brown, the cashier, of the Bank of Alex Brown of Walnut Grove. It operated for a number of years as a private bank, with a capital of approximately \$10,000. On June 13, 1913, it incorporated as the Bank of Alex Brown, with a paid-up capital stock of \$50,000. Alex Brown was president, and J. S. Brown, cashier. On July 17, 1916, it added a savings department.

It is regretted that after August 25, 1905, the reports of the State bank commissioners do not give any data concerning the national banks of California. Consequently it is necessary, from that date down to the present, to rely solely upon stray bits of information gathered from various sources and upon the reports of the United States comptroller of the currency, out of which must be pieced the remainder of our chronological study of national banks. The reports of the comptroller do not give the dates of incorporation of national banks, or the names of their first officers. Where the names of the first officers are given in the following pages, they are those that first appear in the publications of the comptroller's office. Errors may, therefore, creep into the story, but for the most part I expect that they will prove to be of no great consequence. The reports of the comptroller of the currency are for the fiscal year ending October 31, so that the list given for any one fiscal year covers portions of two calendar years.

During the fiscal year ending October 31, 1905, the following national banks were established in California:

Name and Location of Banks	Date of Incorporation	Capital	First President	First Cashier
NATIONAL BANKS				
First National Bank, Hollywood....	Jan. 4, 1905	\$ 25,000	G. W. Hoover	J. E. Law
Fort Sutter National Bank, Sacramento	Jan. 17, 1905	200,000	F. Ruhstaller	A. L. Darrow
First National Bank, Turlock.....	Mar. 7, 1905	25,000	O. McHenry	C. O. Anderson
First National Bank, Ocean Park....	Apr. —, 1905	25,000	E. J. Vawter	T. M. Meldrum
United States National Bank, Los Angeles	1905	200,000	I. W. Hellman	E. J. Vawter
First National Bank, Alturas.....	Apr. 20, 1905	40,000		B. F. Lymp
American National Bank, Monrovia....	Apr. 22, 1905	25,000	C. O. Monroe	F. N. Hawes
First National Bank, Lemoore.....	May 15, 1905	25,000	B. K. Sweetland	F. J. Peacock
Hollywood National Bank.....	June 24, 1905	25,000	E. O. Palmer	G. G. Greenwood
Berkeley National Bank.....	July 29, 1905	100,000	J. W. Richards	W. M. Roberts
First National Bank, Huntington Beach	Aug. 11, 1905	25,000		
First National Bank, Corona.....	Aug. 16, 1905	25,000	E. H. May	J. P. Key
First National Bank, Santa Maria....	1905	50,000	Archibald McNeil	J. E. Walker
First National Bank, Escondido.....	1905	25,000		
Farmers & Merchants National Bank, Hanford	1905	100,000		
First National Bank, Lindsay.....	1905	25,000		
First National Bank, Lodi.....	1905	25,000		
Farmers & Merchants National Bank, Redondo	1905	50,000		
Citizens National Bank, San Francisco	1905	200,000		
National Bank of the Pacific, San Francisco	1905	300,000		
United States National Bank, San Francisco	1905	200,000		
Union National Bank, San Luis Obispo	1905	100,000		

The First National Bank of Hollywood was a nationalization of the Bank of Hollywood. It was purchased on July 1, 1922, by the Pacific Southwest Trust & Savings Bank of Los Angeles and has since that date been conducted as an agency of the First National Bank of Los Angeles. The Fort Sutter National Bank of Sacramento was absorbed by the Sacramento-San Joaquin Bank on September 8, 1920, which subsequently, with its various branches, became the United Bank & Trust Company, with head offices in San Francisco. The First National Bank of Turlock voluntarily liquidated about two years after having opened its doors. The American National Bank of Monrovia became the National Bank of Monrovia about ten years after incorporation, and on May 8, 1924, changed its title to the First National Bank *in* Monrovia, the former First National Bank of Monrovia, which had been chartered in 1887, having in the meantime been absorbed by the Security Trust & Savings Bank of Los Angeles. The First National Bank of Lemoore is one of two national banks in California having branch offices. It has a branch office at Stratford which it obtained through consolidation with the National Bank of Lemoore on April 26, 1922. The National Bank of Lemoore had previously been the Bank of Lemoore, a state institution with a branch at Stratford, and when it became a national bank on March 1, 1922, it took its Stratford branch into the national banking system with it. When these two national banks

were merged, the Stratford branch was retained as a branch by the First National Bank of Lemoore.

The Hollywood National Bank was purchased on November 15, 1919, by the Security Trust & Savings Bank of Los Angeles. The Berkeley National Bank was purchased by the Oakland Bank of Savings on May 22, 1915, and operated as a branch until May 1, 1922, when it was sold to the Berkeley Commercial & Savings Bank. In March, 1923, the latter became the Berkeley Bank, its stockholders at the same time also organizing the First National Bank *in* Berkeley. The First National Bank of Escondido was sold to the Southern Trust & Commerce Bank of San Diego on April 24, 1924. The Farmers & Merchants National Bank of Hanford was absorbed by the Los Angeles Trust & Savings Bank on June 30, 1922. The First National Bank of Huntington Beach was a nationalization of the Bank of Huntington Beach. It was sold to the Industrial Bank of Vernon on December 28, 1921, and the latter in its turn was sold to the Hellman Commercial Trust & Savings Bank of Los Angeles on June 30, 1922. The First National Bank of Lindsay was purchased by the Pacific Southwest Trust & Savings Bank on November 24, 1923. The First National Bank of Lodi was sold to the Liberty Bank of San Francisco on September 21, 1925.

The Farmers & Merchants National Bank of Redondo was a nationalization of the Farmers & Merchants Bank of Redondo. The Citizens National Bank of San Francisco liquidated on June 1, 1907, its assets being taken over by the Bank of San Francisco, which had been incorporated on May 11, 1907, by the same stockholders. The Bank of San Francisco was purchased by the Bank of Italy on October 10, 1910. The National Bank of the Pacific, located at San Francisco, was absorbed by the Western National Bank of that city on October 1, 1909, which in its turn was taken over by the Western Metropolis National Bank of San Francisco a few months later. The Western Metropolis National Bank was absorbed by the Merchants National Bank. The United States National Bank was purchased by the Merchants National Bank on December 31, 1909. The latter subsequently became part of the branch banking system of the United Bank & Trust Company, with head offices in San Francisco. The Union National Bank of San Luis Obispo was absorbed by the Bank of Italy on September 6, 1922.

The devastating fire which swept over San Francisco on April 18, 1906, destroying practically all of its business district, will long be remembered by the bankers of that city and those of neighboring districts. The flames spread with such rapidity that it was impossible to save any of the downtown bank buildings from destruction. The Bank of Italy was particularly fortunate in being able to remove all of its records, securities and treasure before the conflagration had reached the part of the city in which the bank was located. The San Francisco bankers were immediately warned by those of Baltimore, which city had previously experienced a devastating fire, that it would be unsafe to open the bank vaults until at least three weeks had elapsed. Something, however, had to be done to relieve the situation. Five days after the fire the Oakland banks were paying to their depositors sums not to exceed \$30. They also accommodated the residents of San Francisco who were properly introduced at the windows of their paying tellers.

On April 23rd, the Clearing House Association of San Francisco called a meeting to discuss proposed measures for relieving the distress of the people. Over \$76,000,000 in cash and securities lay in the inaccessible vaults of the banks. Millions in money and securities were also on deposit with correspondents in other cities. Statements publicly made that the contents of the banks' vaults were undoubtedly unharmed gave assurance to the stricken inhabitants that the financial structure of the city's economic life was fundamentally sound. At the first meeting of the Clearing House Association it was proposed that a "Clearing House Bank" be established in the rooms of the United States Mint. The latter had escaped destruction as a result of the heroic efforts of its employes and also partly because of its strategic location. Its gold hoard of \$200,000,000 lay unharmed. Secretary of the Treasury Shaw was appealed to by the Clearing House Association and agreed to an arrangement whereby the San Francisco bankers were allowed to request their New York correspondents to deposit with the sub-treasury in New York any amount of money, which upon telegraphic advice would be placed to their credit on the books of the United States Mint in San Francisco.

The Clearing House Bank was accordingly opened at the Mint on May 1st, a teller from each bank being in attendance. Each bank took care of its own depositors and, in accordance with

the resolution of the Clearing House Association, paid out to depositors any sum up to \$500. It was fairly easy for the commercial banks to meet the demands of their depositors, because their tellers were more or less familiar with the balances of their customers, but with the savings banks the situation was more difficult. Some of the savings institutions had over 50,000 accounts, many of which were not active. A savings bank depositor, therefore, was not allowed to withdraw any of his funds unless the bank's officials were satisfied with his standing. But before he was handed a check on the Clearing House Bank with which to get his money, he was required to sign a promissory note for the sum in question. The commercial banks soon introduced a scheme of "special accounts", which permitted customers to deposit funds and later to draw checks against them. These "special accounts" were in reality new accounts, and had no connection whatsoever with the old accounts of the depositors. By May 19th, all checks which had been dated prior to April 18 had been cleared. On May 23rd, all restrictions were removed and the banks cashed checks as usual. There was no run on any institution—in fact, no excitement of any sort. Depositors, who had lost their check stubs in the fire, called for and were given a statement of their balances.

Gold importations, aggregating \$46,207,806, had been received from Europe and New York to care for the demands of the stricken people. Strangely enough, none of this was needed, because from the very first day deposits exceeded withdrawals. The people did not question the strength of the city's banking houses. A month later, when the Clearing House resumed operations, the clearings for the preceding thirty-five days went through in one day. The clearings for June showed a decrease of only 9 per cent over the figures for June, 1905. Those for July, 1906, were $8\frac{3}{4}$ per cent greater than for July, 1905. Following the great fire the banks obtained new locations in homes and stores outside of the fire zone. Gradually, however, they reestablished themselves in their old locations, and in all cases erected banking houses superior to those which had been destroyed. It is interesting to note that when the debris was removed, and the bank vaults had cooled sufficiently to be opened, it was found that in practically all cases their contents were intact and uninjured.

The report of the bank commissioners for the fiscal year

ending October 1, 1906, disclosed a total of 561 banks operating in California. This represented a net gain of 27 commercial banks, 13 savings banks, 10 private banks, and 21 national banks. Total assets of state banks had increased by \$88,709,873. During the calendar year of 1906 the following state chartered and private banks were organized:

Name and Location of Bank	Date of Incorporation	Capital	First President	First Cashier
STATE CHARTERED BANKS				
Haywards Bank of Savings.....	Jan. 2, 1906	\$ 25,000	H. W. Meek	J. E. Farnum
Gilroy Savings & Loan Bank.....	Jan. 10, 1906	27,200	L. A. Whitehurst	W. R. Pyle
Bank of Greenfield.....	Jan. 25, 1906	25,000	J. T. Anderson	R. D. Hall
Citizens Savings Bank, Hollywood...	Jan. 31, 1906	25,000	E. D. Palmer	G. G. Greenwood
Japanese-American Bank, San Francisco.....	Feb. 1, 1906	200,000	K. Uyeda	M. M. Minabe
Citizens State Bank, Claremont....	Mar. 1, 1906	25,000	C. M. Parsons	W. N. Beach
Bank of Southern California, Los Angeles.....	Mar. 5, 1906	500,000	J. B. Lankershim	O. C. Conley
Citizens Bank, Alameda.....	Mar. 6, 1906	100,000	S. E. Biddle, Jr. (V-P)	F. V. Bordwell
Citizens Savings Bank, Compton....	Mar. 7, 1906	25,000	J. J. Harshman	E. E. Elliott
Bank of Norwalk.....	Mar. 12, 1906	25,000	James Hay	C. M. Church
Harbor City Savings Bank, San Pedro.....	Mar. 15, 1906	25,000	C. Nicolai	A. C. Sepulveda
Orange Savings Bank.....	Mar. 16, 1906	25,000	D. C. Pixley	J. R. Porter
Redondo Savings Bank, Redondo Beach.....	Mar. 19, 1906	25,000	N. Bonfilio	G. H. Anderson
State Bank of Corcoran.....	Mar. 20, 1906	50,000	A. Gardner	R. V. Milner
State Bank of Pomona.....	Mar. 30, 1906	50,000	P. R. Ruth	E. R. Yundt
Crown City Bank, Pasadena.....	Mar. 30, 1906	25,000	W. H. Bradley	J. O. Isaacson
Bank of Sherman.....	Apr. 28, 1906	25,000	H. Eller	T. Feron
Citizens State Bank, Venice.....	May 7, 1906	25,000	Mrs. George Sibley	R. H. Morse
Citizens Savings Bank, Upland.....	May 11, 1906	25,000	C. E. Harwood	M. S. Palmer
Gridley State Bank.....	May 14, 1906	30,000	H. M. Serkland	J. Ownby
American Bank & Trust Company, Pasadena.....	May 22, 1906	100,000	I. Springer	E. L. McCormack
Fullerton Savings Bank.....	June 14, 1906	25,000	B. G. Balcom	E. E. Balcom
United States Savings Bank, Covina.	June 20, 1906	25,000	J. D. Reed	V. O. English
Sutter Creek State Bank.....	July 12, 1906	50,000	James Rolph, Jr.	P. Dabovich
Bank of Fruitvale.....	July 17, 1906	25,000	Jackson Dennis	R. W. Westover
The Peoples Bank of Long Beach..	July 23, 1906	100,000	D. L. Westover	J. C. Douglas
Citizens Savings Bank, Fruitvale....	July 26, 1906	25,000	C. J. Walker	L. R. Robertson
Mission Savings Bank, San Francisco	Aug. 3, 1906	200,000	Jacob Virgil	DeWitt C. Treat
Mendocino Bank of Commerce.....	Sept. 1, 1906	49,500	J. Grindle	F. W. Stickney
Bank of Dolgeville.....	Sept. 3, 1906	25,000	William Mead	R. M. Wallace
Citizens State Bank, Sawtelle.....	Sept. 20, 1906	25,000	R. F. McClellan	H. M. Crane
Alhambra Savings Bank.....	Sept. 22, 1906	25,000	H. D. McDonald	W. F. Lawson
Globe Savings Bank, Los Angeles...	Oct. 1, 1906	200,000	C. A. Elder	E. J. Scott
Greenwater Banking Corporation...	Oct. 1, 1906	100,000	G. S. Nixon	W. E. Johnson
State Bank of Newport, Newport Beach.....	Oct. 16, 1906	25,000	S. Townsend	L. H. Wallace
Niles State Bank.....	Nov. 13, 1906	25,000	Jackson Dennis	J. E. Jacobus
Farmers & Merchants Bank, Haywards.....	Nov. 22, 1906	50,000	T. B. Russell	J. A. Park
Montague Banking Company.....	Dec. 8, 1906	25,000	H. L. Davis	A. Simon
Farmers & Merchants Bank, Santa Paula.....	Dec. 20, 1906	50,000	J. M. Sharp	C. Thorpe
Security Savings Bank, Orange.....	Dec. 26, 1906	25,000	W. D. Granger	F. M. Mellor
Metropolis Trust & Savings Bank, San Francisco.....	Oct. 11, 1889	1,000,000	A. A. Watkins	F. R. Cook
PRIVATE BANKS				
Kimmon Ginko, San Francisco.....		25,000	M. Munakate	
Bank of Greater San Francisco.....		1,000	C. H. Pool	
Rivers Brothers Bank, San Francisco		500		
Barnum, Merrill & Lamb, Los Angeles.....				
Fuso Ginko, Vacaville.....		6,000		R. Ninomiya
Iverson Banking Company, Richmond		4,500		A. F. Horstman
Bank of Needles.....		5,000		G. E. Butler
Commercial Bank, Beckwith.....		1,000		L. H. Hughes
San Ramon Valley Bank, Walnut Creek.....				J. L. Silveira

The following changes have occurred in the above list of state and private banks: The Haywards Bank of Savings was sold to the Bank of Hayward on July 21, 1923. The Gilroy Savings &

Loan Bank was purchased by the Bank of Gilroy on May 31, 1912, and the latter in its turn was sold to the Bank of Italy on October 21, 1916. The Bank of Greenfield retired within a year after its organization. The Citizens Savings Bank of Hollywood was sold to the Security Trust & Savings Bank of Los Angeles on November 15, 1919.

The Japanese-American Bank of San Francisco, with its Los Angeles branch, was one of the three Japanese banks closed by the superintendent of banks in 1909, following the enactment of the Bank Act of that year. The Citizens State Bank of Claremont was the first bank organized in that city. In 1909, it became the First National Bank of Claremont, and in 1918, consolidated under its own charter and title with the Claremont National Bank, which had been incorporated in 1912. The Citizens Bank of Alameda sold its commercial department to the Citizens National Bank of Alameda on March 25, 1912, and continued to conduct a savings bank business, changing its title to the Citizens Savings Bank on April 26, 1912. The Citizens Savings Bank of Compton was sold to the Farmers & Merchants Bank of Compton on June 18, 1921. The Harbor City Savings Bank of San Pedro added a commercial department on February 13, 1920, and changed its title to the Harbor City Commercial & Savings Bank on March 12, of that year.

The Redondo Savings Bank of Redondo Beach added a commercial department on April 13, 1922. The State Bank of Corcoran on February 1, 1910, nationalized its commercial business as the First National Bank of Corcoran, and reincorporated its savings business as the First Savings Bank of Corcoran. The latter voluntarily closed on November 11, 1913. The State Bank of Pomona added a savings department on May 24, 1915, and was sold to the Bank of America of Los Angeles on May 14, 1925. The Crown City Bank of Pasadena became the Crown City National Bank in 1909, and consolidated with the National Bank of Pasadena on June 20, 1914, under the charter and title of the latter. The American Bank & Trust Company of Pasadena purchased the Crown City Savings Bank on July 7, 1911, changed its own title to the Crown City Savings & Trust Company on September 30, 1912, added a trust department on August 8, 1914, again changed its name to the Crown City Trust & Savings Bank on November 18, 1914, and nationalized its business as the National

Bank & Trust Company on August 9, 1919. On October 27, 1919, it purchased the National Bank of Pasadena, and on October 11, 1921, was in its turn purchased by the Guaranty Trust & Savings Bank of Los Angeles. A few months later the Guaranty Trust & Savings Bank and its branches were merged into the Security Trust & Savings Bank of Los Angeles.

The Bank of Sherman, after operating for nine years as a state institution, became the First National Bank of Sherman, on June 30, 1917. The Citizens State Bank of Venice retired shortly after it had begun operations. The Gridley State Bank added a savings department on August 30, 1915, and voluntarily closed on January 31, 1919. The Fullerton Savings Bank added a commercial department on February 15, 1923, changed its title to the Fullerton Commercial & Savings Bank on March 9, 1923, and was sold to the Pacific Southwest Trust & Savings Bank of Los Angeles on November 3, 1924. The United States Savings Bank of Covina was in reality a commercial bank. It retired in about three years. The Sutter Creek State Bank had previously been the private banking house of Jackson Dennis. It was closed by the bank commissioners on February 11, 1908. The Bank of Fruitvale was sold to the Security Bank of Oakland on November 10, 1917. The latter was sold to the Bank of Italy on November 4, 1918. The Peoples Bank of Long Beach became the Citizens Savings Bank in 1907, and shortly thereafter voluntarily liquidated.

The Citizens Savings Bank and the Citizens Bank, both of Fruitvale, were organized by the same stockholders. The Citizens Savings Bank was sold to the Citizens Bank on August 2, 1909, and the latter was purchased by the Security Bank of Oakland on June 15, 1918. The Security Bank of Oakland was sold to the Bank of Italy on November 4, 1918.

The Mission Savings Bank of San Francisco was purchased by the Mercantile Securities Company of San Francisco in May, 1926, and in 1927 became a branch of the American Trust Company. The Bank of Commerce of Mendocino City added a savings department on August 10, 1916, and on October 1, 1921, was merged into the Fort Bragg Commercial Bank. The latter was purchased by the Liberty Bank of San Francisco. The Bank of Dolgeville became the Citizens Bank of Alhambra on September 19, 1910, and on March 31, 1911, was nationalized as the

National Bank of Alhambra, finally consolidating with the First National Bank of Alhambra on January 11, 1915. The Citizens State Bank of Sawtelle added a savings department on July 1, 1921. The Alhambra Savings Bank added a commercial department on October 27, 1913; changed its title to the Alhambra Savings & Commercial Bank on July 14, 1919, and was sold on July 1, 1922, to the Los Angeles Trust & Savings Bank. The story of the Bank of Southern California and the Globe Savings Bank both of Los Angeles has already been detailed in the discussion of the events of 1905 that led to the formation of the California Bank of Los Angeles. It is not necessary, therefore, to repeat that story in this place. The Greenwater Banking Corporation did not justify the faith of its incorporators and retired within a year. The State Bank of Newport, located at Newport Beach, became the First National Bank of Newport Beach on February 11, 1915. The Niles State Bank was purchased by the Bank of Alameda County with headquarters at Alvarado on December 20, 1916. The Farmers & Merchants Bank of Haywards sold its commercial business to the First National Bank of Haywards on April 22, 1911. On June 11, 1920, it became the Farmers & Merchants National Bank of Haywards and on August 5th of that year consolidated with the First National Bank of that city under the title of the latter. The Farmers & Merchants Bank of Santa Paula was sold to the Pacific Southwest Trust & Savings Bank of Los Angeles on February 25, 1924.

The Metropolis Trust & Savings Bank of San Francisco was organized in 1906, succeeding to the business and taking over the charter of the Phoenix Building, Loan and Savings Association, which had been incorporated on October 11, 1889. On September 30, 1910, its stockholders organized the Western Metropolis Savings Bank to take over its savings business. The latter bank continued successfully in the field until the expiration of its charter, August 8, 1915, when it voluntarily liquidated, its assets being taken over by an affiliated institution, the Merchants National Bank of San Francisco. The stockholders of the Metropolis Trust & Savings Bank absorbed the Western National Bank in 1910, and changed the title of their institution to the Western Metropolis National Bank on October 31, 1910. The trust department of the original bank was discontinued on October 24, 1910. The Metropolis Trust & Savings Bank had established

a branch at Taft on July 11, 1910, but abandoned it on September 24 of that year. The Western Metropolis National Bank purchased the City and County Bank of San Francisco on February 28, 1912, and on May 31, 1912, consolidated with the Merchants National Bank under the title and charter of the latter. The Merchants National Bank was purchased by the Sacramento-San Joaquin Bank of Sacramento on January 31, 1923, and made part of its branch banking system, the name of the latter being changed to the United Bank & Trust Company on March 13, 1923, and the head office removed from Sacramento to San Francisco.

Nine private banks were established during the fiscal year ending October 1, 1906. The first of these, the Kimmon Ginko of San Francisco (The Golden Gate Bank), started with \$25,000 capital. M. Munakate was owner and cashier. It subsequently purchased the Los Angeles branch of the Japanese Bank of San Francisco. Both it and its branch were closed by the bank commissioners on March 29, 1909, the creditors subsequently being paid twenty-eight cents on the dollar. The Bank of Greater San Francisco was owned by C. H. Pool. It had a paid up capital of about \$1,000. This bank was closed by the bank commissioners on February 28, 1909, its depositors being paid in full. T. W. Rivers and C. C. Rivers established the private banking firm of Rivers Bros. of San Francisco with a capital of \$500. Their first report, filed with the bank commissioners on August 15, 1906, showed total assets of only \$1,400. They voluntarily liquidated within a year.

The only private bank established in Los Angeles during 1906 was that of Barnum, Merrill & Lamb. The partners were O. S. Barnum, J. B. Merrill and F. C. Lamb. Their report to the bank commissioners under date of August 15, 1906, disclosed assets of only \$1,646. They likewise retired within a year. The second Japanese bank to be established in California during this year was the Fuso Ginko of Vacaville. F. Muroyama and R. Ninomiya were its owners, the latter acting as cashier. It had a capital of about \$6,000. After a rather unsuccessful career it voluntarily liquidated in 1909. The Iverson Bank of Richmond was owned by I. Iverson and A. F. Horstman. It incorporated as the Mechanics Bank of Richmond on August 3, 1907. The Bank of Needles was owned by G. E. Butler, who

also acted as cashier. It operated with a capital of about \$5,000. It was incorporated on July 31, 1907, as the Bank of Needles, and was purchased on June 30, 1923, by the San Bernardino Valley Bank of San Bernardino. The Commercial Bank of Beckwith was owned by J. F. Mayfield and L. H. Hughes, the latter acting as cashier. It had only about \$1,000 capital and retired shortly after being organized. The San Ramon Valley Bank of Walnut Creek was owned by J. L. Silveira and was incorporated on June 28, 1907.

During the fiscal year ending October 31, 1906, twenty national banks were established in California. They were as follows:

Name and Location of Bank	Capital	First President	First Cashier
NATIONAL BANKS			
First National Bank, Glendale.....	\$ 25,000	L. C. Brand	E. V. Williams
First National Bank, San Jacinto.....	25,000	A. W. Wright	C. L. Emerson
First National Bank, Livermore.....	25,000	W. G. Palmanteer	R. B. Temple
First National Bank, Artesia.....	25,000	H. W. Hellman	George R. Frampton
First National Bank, Azusa.....	25,000	W. R. Powell	H. S. Johnson
First National Bank, Oceanside.....	25,000	J. X. Woods	George A. Lane
First National Bank, Compton.....	25,000	J. J. Harshman	E. E. Elliott
First National Bank, Redondo.....	25,000	H. W. Hellman	S. M. Webster
First National Bank, Orange.....	25,000	W. D. Granger	F. H. Mellor
First National Bank, Upland.....	25,000	J. G. Mossin	C. T. McCulloch
First National Bank, Santa Cruz.....	100,000	F. D. Baldwin	T. G. McCreary
First National Bank, Kingsburg.....	25,000	D. S. Snodgrass	A. L. Lindgren
Farmers & Merchants National Bank			
Santa Ana.....	50,000	W. A. Huff	J. A. Turner
Whittier National Bank, Whittier.....	50,000	J. A. Osmun	A. C. Johnson
Escondido National Bank, Escondido.....	50,000	A. W. Wohlford	L. A. Stevenson
Citizens National Bank, Redlands.....	100,000	A. G. Hubbard	C. S. McWhorter
United States National Bank, Azusa.....	50,000	J. A. Graves	J. H. Anderson
National Bank of Commerce, Los Angeles.....	200,000	F. M. Douglass	Charles E. Wing
Covina National Bank, Covina.....	25,000	J. B. Coulston	V. O. English
National Bank of Riverside.....	100,000	George Frost	S. J. Castleman

The First National Bank of Glendale became the Security State Bank of Glendale on July 6, 1922, and was sold to the Security Trust & Savings Bank of Los Angeles on August 19, 1922. The First National Bank of Livermore was sold to the American Bank of Oakland on May 17, 1923, and subsequently became a part of the branch banking system of the American Trust Company of San Francisco as a result of subsequent mergers, which have been described in previous pages. The First National Bank of Azusa absorbed the United States Bank of Azusa on December 30, 1916. The Farmers & Merchants National Bank of Santa Ana purchased the Commercial Bank of Santa Ana on May 31, 1910, and consolidated with the First National Bank of Santa Ana on March 10, 1919, the business being continued under the title of the Farmers & Merchants National

Bank. On February 11, 1916, the Citizens National Bank of Redlands was consolidated with the First National Bank of Redlands under the title and charter of the latter. The National Bank of Commerce of Los Angeles was absorbed by the Home Savings Bank of that city on February 3, 1913, out of which as a result of a series of mergers, there came the California Bank of Los Angeles. The National Bank of Riverside changed its title to that of the First National Bank *in* Riverside on January 16, 1923. The original First National Bank of Riverside had been absorbed in the meantime by the Citizens National Bank of that city on May 16, 1916.

The third clearing house to be established in California was organized in Oakland on May 1, 1906. It was the outgrowth of an association of banks which had been in existence for some years. The story of its growth and activities will be presented in Chapter XXIV.

The report of the bank commissioners for the fiscal year ending July 31, 1907, contained the financial statements of 504 banks operating under the board's jurisdiction, a net gain of 9 savings banks and 46 commercial banks and a net loss of 12 private banks. The enactment of the statute of March 20, 1905, making all private banks subject to the same requirements and liabilities as corporate banks, was beginning to have its effect.

Only a few slight changes were made in the banking laws by the Legislature of 1907. Two sections were added to the Bank Commissioners Act. The section requiring a minimum capital of \$25,000 and a paid up capital of at least 10% of a bank's total deposits, but in no case exceeding \$1,000,000, has already been mentioned in preceding pages. The other section made it possible for the bank commissioners, in settling up the affairs of suspended banks, to have full power to sell any portion of the property of such banks that was deemed to be perishable, to realize on any securities whose depreciation appeared likely, and to take other steps to protect the interests of the creditors. The law regulating the business of trust companies was also amended slightly, but a discussion of its details will be deferred to Chapter XX.

During the calendar year of 1907, the following state and private banks were established in California:

Name and Location of Banks	Date of Incorporation	Capital	First President	First Cashier
STATE CHARTERED BANKS				
Ojai State Bank, Nordhoff.....	Jan. 8, 1907	25,000	Felix W. Ewing	J. J. Burke
Imperial City Bank.....	Feb. 12, 1907	25,000	G. A. Parkyns	B. H. Cooke
Eagle Rock Bank.....	Feb. 15, 1907	25,000	R. H. Brown	F. E. Biles
Citizens Bank, Holtville.....	Feb. 26, 1907	25,000	W. F. Holt	R. G. Webster
Commercial Bank, Turlock.....	Feb. 27, 1907	50,000	H. S. Crane	F. W. Hosmer
Colton Savings Bank.....	Mar. 18, 1907	25,000	J. B. Coulston	L. C. Newcomer
Union State Bank, San Francisco..	Mar. 21, 1907	100,000	W. C. Hays (vice)	W. E. Squires
State Bank of Pasadena.....	April 5, 1907	100,000	W. M. Eason	F. W. Hill
Central Savings Bank, Lodi.....	April 9, 1907	25,000	J. B. Cory	W. H. Lorenz
Lodi Savings Bank.....	April 25, 1907	25,000	P. B. Fraser	K. M. Feidner
Peoples State Bank, Turlock.....	May 6, 1907	50,000	C. Johnson	C. O. Anderson
Bank of Commerce, Pasadena.....	May 6, 1907	50,000	H. W. Chynoweth	W. S. Windham
The Bank of San Francisco.....	May 11, 1907	200,000	W. F. Pierce	W. W. Douglas
Farmers & Merchants Bank, Hemet..	May 15, 1907	25,000	T. E. Rickard	S. W. Leffingwell
Harbor Bank, Oakland.....	May 24, 1907	200,000	F. W. Belger	C. B. Mersereau
Citizens Bank, Visalia.....	May 24, 1907	50,000	N. Levy	S. Levy
Security Savings Bank, Riverside...	June 5, 1907	250,000	S. H. Herrick	W. T. Dinsmore
Bank of Mill Valley.....	June 6, 1907	50,000	F. F. Bostwick	C. H. Huntton
Southern Trust & Savings Bank, San Diego	June 8, 1907	250,000	G. A. Davidson	E. O. Hodge
Citizens Bank, Winters.....	June 15, 1907	50,000	R. Morrison	W. S. Baker
Imperial Bank, San Francisco.....	June 18, 1907	100,000	S. M. Matsuda	M. Miyamoto
San Ramon Valley Bank, Walnut Creek	June 28, 1907	25,000	J. Hackett	J. L. Silveira
Bank of Germany, Oakland.....	July 6, 1907	200,000	Fred Grier	H. Schulze
Bank of Sausalito.....	July 18, 1907	25,000	F. A. Robbins	E. S. Rayburn
Citizens Savings Bank, Winters....	July 19, 1907	25,000	R. Morrison	W. S. Baker
Mechanics Bank, Richmond.....	Aug. 3, 1907	25,000	J. Iverson	W. L. Ballinger
Colfax Bank	Aug. 12, 1907	25,000	D. Falconer	R. L. Neal
Bank of Fort Bidwell.....	Aug. 13, 1907	30,000	A. C. Lowell	W. R. Lowell
First Federal Trust Company, San Francisco	Aug. 21, 1907	1,500,000	R. Spreckels	J. K. Moffett
International Bank, Los Angeles...	Aug. 21, 1907	100,000	John Lopizich	J. H. Goodhue
Sierra Valley Bank, Loyalton.....	Sept. 1, 1907	25,000	D. A. Bender	J. J. Millar
Farmers & Merchants Bank, Reedley	Sept. 19, 1907	25,000	I. J. Peck	Marion Deneen
Nippon Savings Bank, Sacramento..	Sept. 25, 1907	100,000	A. K. Matsusaki	G. H. Kishi
Bank of Burlingame	Sept. 27, 1907	37,500	P. M. Lansdale	J. H. Coleman
University Avenue Bank, San Diego	Sept. 27, 1907	50,000	C. T. Chandler	W. R. Sybert
Citizens Bank of Arlington, Riverside	Sept. 27, 1907	25,000	S. H. Herrick	W. B. Clancy
Canton Bank, San Francisco.....	Oct. 1, 1907	300,000	J. P. Allen (Mgr.)	B. S. Johnson
Bank of Spreckels.....	Oct. 28, 1907	25,000	R. H. Moore	G. H. J. Essen
Bank of Commerce, Oakland.....	Oct. 30, 1907	200,000	C. W. Fore (vice)	
Banca Popolare Operaia Italiana, San Francisco	Nov. 3, 1907	250,000	J. F. Fugazi	F. N. Belgrano
Cuyamaca State Bank, El Cajon....	Nov. 5, 1907	25,000	C. O. Nichols	H. L. Candle
Farmers & Merchants Bank, Long Beach	Nov. 25, 1907	25,000	C. J. Walker	J. C. Douglass
Japanese Bank, Oakland.....	Nov. 30, 1907	100,000	T. Mitoma	T. Okuno
Columbia Trust Company, Los Angeles	Mar. 5, 1903	500,000	L. L. Elliott	F. B. Bradin
Union Exchange Bank, Los Angeles.	Sept. 27, 1876	100,000	C. J. Goodenow	G. H. Wood
Bank of Commerce, Los Angeles....	Sept. 20, 1887	50,000	G. B. Epstein	E. Cohen
Mechanics Bank, Los Angeles.....	1906-1907	50,000	A. H. Green	J. C. Dickson
Scandinavian Savings Bank, San Francisco	1906-1907	500,000	Charles Nelson	L. M. MacDonald
Bank of William Collins & Sons, Inc., Ventura	1906-1907			
Skidoo-Southern California Bank ...	1906-1907			
Industrial Banking Co., Oakland....	1906-1907			
Calvada Banking Co., Sacramento...	1906-1907			
Western Safe Deposit & Trust Co., Sacramento	1906-1907			
California Central Bank, Oakland..	1906-1907			
PRIVATE BANKS				
Bank of Percy E. Fuller, San Francisco				
Bank of J. Lewin, San Francisco....				
Peninsula Bank, San Francisco....				

The following changes have occurred in the above list of banks: The Imperial City Bank changed its title to the Farmers & Merchants Bank of Imperial on March 15, 1910. The Eagle Rock Bank was purchased by the Security Trust & Savings Bank of Los Angeles on August 19, 1922. The Citizens Bank of Holtville was sold to the First National Bank of Holtville on June 9, 1910. The Colton Savings Bank retired within a year.

The Union State Bank of San Francisco was closed by order of the superintendent of banks on July 7, 1909. The State Bank of Pasadena added a savings department on May 3, 1924, and was sold to the Pasadena National Bank on June 22, 1925. The latter, the second to carry that title, had been organized only about three years before the sale took place. The Lodi Savings Bank was sold to the Bank of Lodi on February 17, 1912, which on December 31, 1917, became the Lodi National Bank. The Bank of Commerce of Pasadena became the National Bank of Commerce on September 20, 1911, and on June 9, 1914, further modified its title to the National Bank of Pasadena. On June 20, 1914, the Pasadena National Bank and the Crown City National Bank of Pasadena consolidated with the National Bank of Pasadena under the charter of the latter. On October 27, 1919, the National Bank of Pasadena and the National Bank & Trust Company of that city consolidated under the title of the latter. On October 11, 1921, the National Bank & Trust Company of Pasadena was acquired by the Guaranty Trust & Savings Bank of Los Angeles, which in its turn was purchased by the Security Trust & Savings Bank of Los Angeles on December 3, 1921. The Bank of San Francisco and its branch were sold to the Bank of Italy on October 10, 1910. It was one of the first banks acquired by the latter institution. The Harbor Bank of Oakland became the Western Commercial & Savings Bank on January 7, 1915, and on September 25th of that year sold its commercial department to the Central National Bank of Oakland and its savings department to the Central Savings Bank of Oakland.

The Citizens Bank of Visalia purchased the First National Bank of Orosi and turned it into a branch, but later closed it on October 2, 1913. The Citizens Bank itself voluntarily liquidated on May 27, 1915. The Security Savings Bank of Riverside purchased the Riverside Savings Bank on June 5, 1916, and on October 9th of that year added a commercial department. The Bank of Mill Valley was purchased by the Bancitaly Corporation on December 15, 1926. The Southern Trust & Savings Bank of San Diego consolidated with the Bank of Commerce of San Diego on July 26, 1917, to form the Southern Trust & Commerce Bank. The latter purchased the American State Bank at Brawley on November 1, 1919, the El Centro National Bank on June 30, 1920, the National City State Bank on April 14, 1922, the First

National Bank of Escondido on April 24, 1924, the Home Savings Bank of Escondido on July 3, 1924, the Escondido Savings Bank on June 30, 1926, and the Escondido National Bank on July 31, 1926. The four latter institutions and a branch of the Southern Trust & Commerce Bank were then merged into the Escondido branch of the San Diego bank. The home office and its various branches were acquired by the Bank of Italy in January, 1927.

The Citizens Bank of Winters absorbed the Citizens Savings Bank on June 30, 1909. The Imperial Bank of San Francisco was a Japanese bank which started originally as a private institution. After operating as such for a few months, it was incorporated, but was not able to survive the strenuous times resulting from the panic of 1907. It was closed by order of the bank commissioners on August 27, 1908. The San Ramon Valley Bank of Walnut Creek was an incorporation of a private bank with the same title established in 1905. It purchased the First National Bank of Walnut Creek on August 8, 1922. The Bank of Germany of Oakland voluntarily liquidated on March 18, 1914. The Mechanics Bank of Richmond grew out of the Iverson Banking Company. The Colfax Bank added a savings department on June 12, 1913, and was purchased by the Auburn Savings Bank on May 12, 1922.

The Auburn Savings Bank, on September 28, 1923, became the Central Bank of California. The Bank of Fort Bidwell purchased the Alturas State Bank on April 28, 1923, and on March 24, 1924, changed its own title to the Modoc County Bank of Alturas. On January 14, 1924, it purchased the Surprise Valley Bank of Cedarville. The First Federal Trust Company of San Francisco was incorporated to care for the savings and trust business of the First National Bank of that city. It purchased the Mutual Savings Bank of San Francisco on September 25, 1919. When the Crocker National Bank and the First National Bank of San Francisco merged in January, 1926, as the Crocker First National Bank, the title of the First Federal Trust Company was changed to the Crocker First Federal Trust Company. The International Bank of Los Angeles voluntarily liquidated on November 17, 1909, but subsequently reorganized as the International Savings and Exchange Bank with a paid up capital of \$200,000 under a charter bearing the date of February 9, 1903.

The latter was sold to the Bank of Italy on September 15, 1917. The Farmers and Merchants Bank of Reedley was sold to the Reedley National Bank on March 5, 1910. The Nippon Savings Bank of Sacramento was closed by the order of the superintendent of banks on October 19, 1909, but was allowed to reopen on December 6, 1909. It became the Nippon Bank, added a savings department, and was again closed by order of the superintendent of banks on December 6, 1924. Its assets were sold, on March 27, 1925, to the Sumitomo Bank of Sacramento, the latter institution having been established only a short time previously as a result of the initiative of the stockholders of the Sumitomo Bank of Japan which was also operating a branch in San Francisco. As a consequence of excellent management, the creditors of the Nippon Savings Bank were subsequently paid in full by the Sumitomo Bank of Sacramento.

The Canton Bank of San Francisco remained for many years the principal banking house for about 100,000 Chinese scattered throughout the United States and Mexico. It was organized by a number of wealthy Chinese residents of San Francisco. The bank owed its origin to the initiative of Look Tin Eli, a member of the local Chinese community. Eli was a man of broad education and of many years' experience in the banking field. He had served on the staff of the International Banking Corporation and the Russo-Asiatic Bank in San Francisco. In 1907, he brought about the organization of the Canton Bank, and somewhat later of the Chinese Mail Steamship Company. He was active in the affairs of the local Chamber of Commerce and was connected with a number of business firms. He was born in Mendocino County and educated in the schools of that district. Before completing his high school education, he became manager of his father's store. Upon his arrival in San Francisco, he was made assistant manager of one of the large Chinese import and export houses. He later organized the Sing Chong Bazaar, and for some years was its vice president and general manager. He died in 1919. The Chinese Mail S. S. Co. went into voluntary bankruptcy in 1923, and rumors then became current that the Canton Bank was financially involved. It was closed by the superintendent of banks on July 21, 1926. This bank was in no way connected with the Bank of

Canton, Ltd., of San Francisco, a branch of a foreign institution chartered on October 11, 1924.

The Bank of Spreckels voluntarily liquidated on March 13, 1912. On December 11, 1915, the Bank of Commerce of Oakland sold its commercial department to the Central National Bank of Oakland and its savings department to the Central Savings Bank of Oakland. The Banca Popolare Operaia Italiana changed its title to the Fugazi Banca Popolare Operaia Italiana on January 22, 1917. It established and still operates branches in Oakland and Santa Barbara. The Japanese Bank of Oakland was closed by the superintendent of banks on September 16, 1909, because of an impairment in capital stock. It was allowed to reopen, October 5, 1909, but voluntarily liquidated on January 14, 1910. The Columbia Trust Company of Los Angeles, was established under one of the "interregnum" charters of 1903, but began operations in 1907. The Union Exchange Bank of Los Angeles also opened in 1907 under an old charter, which was dated September 27, 1876, presumably that of the Bank of Anaheim, which had failed in 1893. The Union Exchange Bank was closed by the order of the bank commissioners on January 2, 1909, but was allowed to reopen on July 1, 1909. It was sold to the Columbia Trust Company on January 31, 1910. The latter changed its title to the Oils and Metals Bank & Trust Company on February 19, 1910, but voluntarily liquidated, September 5, 1911.

The Bank of Commerce of Los Angeles obtained an old charter, bearing the date of September 20, 1887, and opened some time during the fiscal year of 1907. A few months later it changed its title to the Western State Bank, and was merged in 1909 with the Merchants Bank & Trust Company of Los Angeles, being operated as a branch of the latter until 1910, when its business was taken over by the main office. The Bank of Commerce had no connection whatsoever with the original Bank of Commerce of Los Angeles chartered in 1886. The Merchants Bank and Trust Company, as has already been noted, was the predecessor of the Hellman Commercial, Trust & Savings Bank, which was merged with the Merchants National Bank in 1926 to form the Merchants National Trust & Savings Bank. The Mechanics Bank of Los Angeles incorporated under an old charter bearing the date of May 29, 1893. It began operations in 1907, but meeting with no support, voluntarily liquidated in 1909. The

Scandinavian Savings Bank of San Francisco, which was an incorporation of the savings business of the Scandinavian-American Savings Bank, obtained from some unknown source an old charter bearing the date of April 25, 1889, and began to function in 1907. As has been detailed in previous pages, it was sold to the Merchants National Bank of San Francisco on September 1, 1909. The subsequent story of the Merchants National Bank of San Francisco has already been presented several times in these volumes, and need not be repeated here. The Bank of William Collins & Sons of Ventura, which had operated for some years as a private bank, was incorporated in 1907, but was closed by the bank commissioners on March 19, 1908. The Peninsula Bank of San Francisco, the Bank of J. Lewin of San Francisco, the Bank of Percy E. Fuller of San Francisco, the Skidoo-Southern California Bank of Skidoo, the Industrial Banking Company of Oakland, the California Central Bank of Oakland, the Western Safe Deposit & Trust Company of Sacramento, and the Calvada Banking Company of Sacramento, either retired within a year or never opened their doors for the transaction of business.

The United States comptroller of the currency reported 20 national banks established in California during the fiscal year ending October 31, 1907. They were as follows:

Name and Location of Banks	Capital	First President	First Cashier
NATIONAL BANKS			
Corona National Bank, Corona.....	\$ 25,000	W. J. Pentelow	M. Terpening
Merchants National Bank, San Francisco.....	300,000	Charles Nelson	L. M. MacDonald
National Bank of Alhambra.....	25,000	R. J. Waters	W. F. Lawson
California National Bank, Sacramento.....	1,000,000	W. E. Gerber	Fred W. Kiesel
Exchange National Bank, Long Beach.....	100,000	A. J. Wallace	Wm. H. Wallace
First National Bank, South Pasadena.....	25,000	J. S. Dodge	G. W. Lawyer
Highland National Bank, Hermon.....	25,000		
Colton National Bank, Colton.....	25,000	J. B. Coulston	L. C. Newcomer
Farmers' Exchange National Bank, San Bernardino.	100,000	A. L. Drew	John Anderson, Jr.
First National Bank, Tulare.....	25,000	T. Nelson	H. M. Shreve
First National Bank, Glendora.....	25,000	C. S. Whitcomb	H. C. Wentworth
First National Bank of Contra Costa Co., Martinez	25,000	Edwin A. Majors	A. E. Blum
First National Bank, Sierra Madre.....	25,000	Alfred Cooper	H. G. Flint
Union National Bank, Fresno.....	150,000	W. O. Miles	W. R. Price
First National Bank, Rialto.....	25,000	E. D. Roberts	E. M. Lash
First National Bank, Chico.....	50,000	B. S. Kerns	A. H. Smith
Central National Bank, Los Angeles.....	200,000	William Mead	J. B. Gist
First National Bank, Reedley.....	25,000	J. J. Eymann	A. C. Eymann
City National Bank, Long Beach.....	100,000	Ellis Hakes	B. F. Tucker
Citizens' National Bank, Riverside.....	150,000	S. H. Herrick	W. B. Clancy

The Corona National Bank was closed by the national bank examiners on May 29, 1925. In March, 1925, a controlling interest in the bank had been purchased by a newcomer in the community, who in less than ten weeks absconded with about \$60,000 of the bank's resources. The business men of the city, coöperating with two local banks, finally arranged to have the assets of the wrecked institution taken over by the First National Bank

of Corona. The Merchants National Bank of San Francisco absorbed the United States National Bank of San Francisco on December 31, 1908. The Merchants National Bank and the Western Metropolis National Bank consolidated in 1912, the business being continued under the name of the former, and being finally sold to the Sacramento-San Joaquin Bank of Sacramento on January 31, 1923. The title of the latter was changed to the United Bank & Trust Company of California on March 21, 1923, and the head office moved to San Francisco. Its branch banking activities will be detailed in Chapter XXV. The National Bank of Alhambra became the Alhambra National Bank on May 27, 1913. On January 11, 1915, it consolidated with the First National Bank of Alhambra under the title of the latter. The Exchange National Bank of Long Beach changed its title to the Long Beach National Bank on December 21, 1921, and on July 21, 1924, was purchased by the Bank of Italy. The First National Bank of South Pasadena purchased the commercial department of the South Pasadena Savings Bank on March 21, 1919. It became the Security State Bank of South Pasadena on July 7, 1922, and on August 19 of that year was sold to the Security Trust & Savings Bank of Los Angeles. The Highland National Bank of Hermon liquidated on May 14, 1907. The Farmers Exchange National Bank of San Bernardino was absorbed by the Hellman Commercial, Trust & Savings Bank of Los Angeles on March 15, 1924.

The First National Bank of Contra Costa County was sold to the American Bank of Oakland on May 18, 1923. The First National Bank of Sierra Madre was purchased by the Sierra Madre Savings Bank, November 4, 1922. The Union National Bank of Fresno purchased the Fresno Savings Bank, April 3, 1920, and was in its turn sold to the Sacramento-San Joaquin Bank on January 30, 1923. The latter became the United Bank & Trust Company, with headquarters in San Francisco. The First National Bank of Chico purchased the Stirling City Bank on March 9, 1915. As has been mentioned in earlier pages, the Central National Bank of Los Angeles passed into the control of the stockholders of the Security Trust & Savings Bank of Los Angeles, and became the Security National Bank of Los Angeles on September 2, 1913. It was continued as a national bank until it was absorbed by the Security Trust & Savings Bank on May

15, 1920. The First National Bank of Reedley was sold to the Valley Bank of Fresno on October 31, 1921. When the Valley Bank of Fresno was jointly purchased by the Pacific Southwest Trust & Savings Bank and the Bank of Italy, the Reedley branch of the Valley Bank of Fresno was transferred to the Bank of Italy and opened as its branch on March 1, 1924. The City National Bank of Long Beach was sold to the Los Angeles Trust & Savings Bank on June 30, 1922. The Citizens National Bank of Riverside absorbed the First National Bank of Riverside on May 6, 1916.

In 1907, clearing houses were established at Sacramento on October 9, at San Jose on October 29, at Stockton on November 8, and at Fresno on November 11. This gave California a total of eight clearing houses. A detailed discussion of their activities and also of those subsequently established will be presented in Chapter XXIV.

For the state as a whole, the year 1907 had opened auspiciously and had so continued until during the autumn months, when the collapse of the New York financial market brought disaster to the banks and bankers of the United States, including those of California. The rapidly expanding industry and commerce of the country had outgrown the facilities afforded by the national and state banking systems, which had not been devised to meet the needs of large business units. The growth of large manufacturing and trading combinations and the development of foreign trade had placed too heavy a burden upon the banking and monetary equipment of the nation, as a consequence of which a serious collapse in our financial structure was inevitable. The crash was precipitated by the failure of the Knickerbocker Trust Company of New York, one of the largest institutions of its type in the country. A run had been made on that bank, resulting in the withdrawal of \$8,000,000, and the closing of its doors on October 22, 1907. The New York stock market reacted violently, became demoralized, and many stocks were forced to new low-level records. Call money early rose to 70 per cent. Runs were also made at the same time on the Trust Company of America and the Lincoln Trust Company in New York City, both of which paid out more than \$40,000,000 to their excited depositors. Western banks felt the pressure from depositors and, being moved by fear of the future, began the withdrawal of their accounts from

New York correspondents. Over \$14,000,000 was taken out of the New York banks by that method. The depression of the stock market became a riot. Call money rates leaped upward most violently, reaching a maximum of 125 per cent. A premium of $3\frac{1}{2}$ per cent was paid for cash funds. Large importations of gold were arranged for, and an appeal was made to the United States Treasury for an advance of funds with which to check the debacle. The reserves of the New York banks alone showed a deficit of \$54,000,000, the largest on record. Clearing houses in more than fifty of the prominent cities of the United States issued clearing house loan certificates, the aggregate amounting to more than \$248,279,700. The San Francisco Clearing House Association issued its first clearing house loan certificates on October 29, and its last on December 24, placing in circulation an aggregate amount of \$12,339,000. The Los Angeles Clearing House issued its first certificates on October 30, and its last on December 27, and placed in circulation an aggregate of \$2,088,000.

Banks in all sections of the United States went down in the crash. Firms in all lines of activity were forced to the wall; factories closed; and business was at a standstill. In about three months the worst of the panic had passed, but it took several years before industry, commerce and banking got back into their normal strides. During the twelve months of 1907, a total of 11,857 failures occurred in the United States, with liabilities of \$430,711,197. One hundred and thirty-two banks failed during the calendar year, with liabilities of \$233,325,972. In California, 521 business firms were forced into bankruptcy, with liabilities of \$4,922,804. Only four California banks failed, with liabilities of \$8,777,623. But the above figures tell only a part of the story for the country as a whole and for California in particular, because they cover the entire twelve months of 1907. Data covering the failures during the last three months of 1907 and the early months of 1908 present a much more discouraging picture, because it was during that time that the panic took its greatest toll among business and financial institutions, especially during the spring and summer months of 1908. The effect of the financial crisis upon banking and business in California is clearly shown by the decrease in the bank clearings of the two important cities of the state. In 1907, the total clearings for San Francisco amounted to \$2,133,883,625, approximately \$133,000,000 in

excess of those for the twelve months of 1906. In 1908, they dropped to \$1,757,141,850. The mark for 1907 was not again equalled until 1910. In Los Angeles, the clearings for the twelve months of 1907 were \$581,802,982; in 1908, they fell to \$505,588,756, but in 1909, again recovered, and rose to \$673,065,727.

The panic of 1907 was directly the cause of the enforced closing of sixteen state chartered banks by the bank commissioners. It was also the cause of a number of other state banks voluntarily closing their doors. The national banks of the state, however, were far more fortunate, for none was forced to suspend, and only one closed temporarily. The state chartered banks which were forced into liquidation by the bank commissioners, and the dates of their enforced suspension, were as follows:

California Safe Deposit & Trust Company, with four branches, San Francisco, October 30, 1907.

Citizens State Bank, San Francisco, December 18, 1907.

Occidental Trust & Savings Bank, Los Angeles, December 24, 1907.

West Side Bank, Los Angeles, December 24, 1907.

California Bank and branch at Oakland, January 7, 1908.

Farmers & Merchants Bank of Colusa County, Colusa, January 8, 1908.

Citizens Savings Bank of Long Beach, February 6, 1908.

Sutter Creek State Bank, Sutter Creek, February 11, 1908.

Market Street Bank, San Francisco, February 21, 1908.

Bank of Greater San Francisco, February 28, 1908.

William Collins & Sons, Ventura, March 19, 1908.

Bank of Calistoga, May 22, 1908.

Consolidated Bank of Los Angeles, June 4, 1908.

Citizens Bank of San Mateo, July 13, 1908.

Imperial Bank (Japanese), San Francisco, August 27, 1908.

Valley Savings Bank of Fresno, September 26, 1908.

The Bank of Greater San Francisco and the Citizens Bank of San Mateo paid their depositors in full within a few months after suspension. The Farmers & Merchants Bank of Colusa County, under an agreement with its depositors, subsequently reopened with a new board of directors. The California Bank of Oakland had been forced to close because of heavy demands for cash made upon it during the late summer months of 1907, more than \$300,000 being withdrawn by anxious depositors. The Bank of William Collins & Sons of Ventura owed the California Bank of Oakland \$172,000, and was unable to meet its indebtedness, thus

making it impossible for the California Bank to receive assistance from that source. William Collins & Sons suspended some two months after the closing of the California Bank. The latter had appealed to the Oakland Clearing House Association for assistance, but was not able to advance sufficient collateral to justify the issuance of clearing house loan certificates. The New York and San Francisco correspondents of the bank also withdrew their credit allowances, and on November 12, 1907, its directors decided not to open its doors. The bank was officially closed by the bank commissioners on January 7, 1908. The Market Street Bank of San Francisco had been wrecked by internal mismanagement and real estate speculations by its officers.

The most disastrous failure of the period, out of which, however, much good came in the form of the Bank Act of 1909, was that of the California Safe Deposit & Trust Company of San Francisco. This banking house had been incorporated on April 12, 1882, with a capital stock of \$2,000,000. It is said to have been built upon the remains of the Pioneer Bank of Savings & Deposit (Duncan's Bank), which Duncan so shamefully wrecked and also upon the remnants of the business of the Safe Deposit Company of San Francisco. Immediately upon its incorporation, it took over the magnificent building of the latter, thus tying up a large portion of its funds in a costly structure. The California Safe Deposit & Trust Company built up an extensive clientele through the personality and efforts of its officers, and also through the payment of 4 per cent on certificates of deposit. After having conducted its affairs in a satisfactory manner for some years, it fell upon evil days. It made large loans to James and John Treadwell to finance a coal mining venture in Alameda County. An attempt to bolster up these loans caused the bank to waste a considerable portion of its assets. It was also interested in financing the transcontinental line of the Western Pacific Railroad. Its connection with this latter venture, however, gave it a certain amount of prestige and prolonged its life for several years. By 1905, the affairs of the bank had reached a critical condition, securities in large amounts having been embezzled, and record entries having been falsified. The San Francisco earthquake and fire of April, 1906, destroyed some of its records, and badly charred the remainder. The receiver, appointed by the bank commissioners, claimed that many of the records had been wilfully destroyed by

the managers of the bank in order to cover up their false entries and illegal accounts, and also to make necessary the drawing up of a new set of records in which no mention would be made of past misdeeds.

Immediately following the fire and earthquake the bank began an active campaign for new accounts. It established local branches, two of which were fitted up most luxuriously. It also opened a department of promotion and publicity for the purpose of advertising widely. Fifteen months after these branches had been established, the bank was forced to suspend (October 30, 1907). On or about December 7, 1907, its officers and management were indicted by the grand jury. The bank was subsequently declared insolvent, and a receiver appointed by the State bank commissioners on January 20, 1908. Following its suspension on October 30th, efforts were made by the bank's executives to reopen its doors. Stockholders and depositors, who for the most part knew nothing whatsoever regarding the hopeless and muddled condition of its affairs, coöperated generously with the bank's management. Expert accountants, however, after examining the bank's books, declared that it had been most shamefully wrecked, and that its executive, J. Dalzell Brown, had been guilty of serious violations of the State's laws. The investigation disclosed "a mess of false and juggled entries, the evidence of which were in a great measure removed from the bank when it suspended payment." The officers of the bank had attempted to secure trust business of every character, contenting themselves with a very small commission, the object being to acquire outside funds, which were so greatly needed to sustain the institution. Numerous instances of felonious appropriation of funds and securities were disclosed. The receiver listed forty allied and subsidiary corporations more or less seriously affected by the failure of the bank. Among them were the Farmers & Merchants Bank of Colusa County at Colusa, the National Bank of the Pacific at San Francisco, and the Sacramento Valley Bank at Biggs. The bank's funds had been dissipated to a great extent in a variety of industrial and banking enterprises. It controlled a lumber company, a brick and pottery plant, the only glass factory in the state, several coal mines and power and water companies, besides being actively engaged as a commercial and savings bank, a safe deposit company and a trust company. Attempts

were made to interest New York capital in reviving the institution, but all hope was abandoned in the fall of 1911. In the spring of 1918, the receiver notified all creditors that a final dividend would be paid, bringing the total up to \$1,700,000. The bank had failed with liabilities of approximately \$9,250,000.

In addition to the above mentioned banks closed by the bank commissioners, the following institutions liquidated voluntarily during 1907-08 as a direct consequence of the depressed conditions that prevailed: Union Exchange Bank, Sacramento; Wright & Kimbrough Bank, Sacramento; Sutter Savings Bank and its affiliated institution, the Bank of the Pacific, both of Los Angeles; the Western Savings Bank, Los Angeles; the American Home Savings Bank, Pasadena, and the Farmers Exchange Bank, San Bernardino.

The panic of 1907 dealt California a blow from which it was slow to recover, although recover it did in time. During the next few years a smaller number of banks was established than usual, banking affairs were conducted much more cautiously, and every effort was made to put the financial house of the state in order. Although the panic left much devastation in its wake, it nevertheless resulted in great good to banks and bankers. The long list of bank failures strikingly called attention to the need of a more satisfactory bank act. As a consequence the next Legislature adopted the most progressive banking measure ever enacted in this state, in fact one of the most progressive measures passed up to that time by any state in the Union. We shall have more to do with the Bank Act of 1909 in the succeeding chapter.

Continuing the chronological story of banks in California, one notes that the report of the State bank commissioners for the fiscal year ending July 15, 1908, contained data on 506 institutions operating under the jurisdiction of that body. This included 356 commercial banks, 134 savings banks and 16 private banks, an increase of 8 commercial banks and 2 savings banks in spite of the very serious business depression which had prevailed as the result of the panic of 1907, and a decrease of 6 private banks. During the fiscal year in question the Los Angeles Clearing House Association had passed a rule requiring that its members must have a minimum capital stock of \$200,000. This caused a number of mergers to take place among the banks of that city. The State Bank & Trust Company was absorbed by the Central

Bank; the Miners & Merchants Bank was consolidated with the Bank of Los Angeles; the Los Angeles branch of the Japanese Bank of San Francisco was taken over by the Kimmon Ginko; the Southern California Savings Bank was merged with the Security Savings Bank, and the Central Trust Company and its branch, together with the Dollar Savings Bank & Trust Company, were united to form the Park Bank. In spite of the devastation wrought by the panic of 1907, 20 state banks were chartered during the calendar year 1908. They were as follows:

Name and Location of Banks	Date of Incorporation	Capital	First President	First Cashier
STATE CHARTERED BANKS				
O'Fu Savings Bank, Oakland.....	Jan. 2, 1908	\$ 50,000	T. Masuda	T. Suyenaga
First Savings Bank, Glendora.....	Jan. 7, 1908	25,000	C. S. Whitcomb	H. C. Wentworth
Valley Deposit Mortgage & Savings Bank, Fresno	Jan. 16, 1908	2,000,000	J. B. Monette (vice)	H. S. Anawalt
Industrial Bank, Fresno.....	Feb. 13, 1908	50,000	B. Okonogi	K. Mizuno
Burbank State Bank.....	Mar. 10, 1908	25,000	H. A. Church	E. O. Church
First Trust & Savings Bank, Oakland	Mar. 12, 1908	300,000	P. E. Bowles	O. D. Jacoby
Park Bank, Los Angeles.....	Mar. 26, 1908	200,000	P. W. Weidner	W. G. Tanner
Bank of East Oakland.....	Mar. 27, 1908	25,000	L. M. Robbins	H. Stites
Swedish-American Bank, San Francisco	May 6, 1908	100,000	E. O. Lindblom	G. M. Rudbeck
Bank of Beaumont, Beaumont.....	May 13, 1908	25,000	E. D. Reynolds	E. J. Gillis
Savings Bank, San Leandro.....	June 2, 1908	100,000	W. K. Cole	M. E. Lyon
Butte Valley State Bank, Dorris.....	June 26, 1908	25,000	S. E. DeRackin	F. C. Stetser
Overland Bank, Auburn.....	July 1, 1908	25,000	S. G. Watts	G. W. Brundage
Traders Bank, Los Angeles.....	Aug. 10, 1908	200,000	P. L. Wilson	W. W. Jones
All Night & Day Bank, Los Angeles	Aug. 24, 1908	100,000	N. J. Skinner	J. S. Moore
Telegraph Ave. Savings Bank, Oakland	Aug. 27, 1908	50,000	W. B. Thomas	A. Vander Naillen, Jr.
City and County Bank, Los Angeles	Sept. 23, 1908	51,300	W. B. Ames	H. P. Spencer
Kamikawa Bros. Bank, Fresno.....	Oct. 1, 1908	25,000	R. Kamikawa	K. Ezizima
Bank of Perris.....	Nov. 20, 1908	25,000	S. V. Gates	W. W. Stewart
First Savings Bank of Shasta County, Redding	Nov. 28, 1908	25,000	C. C. Bush	B. L. Smith
Citizens Bank, San Mateo.....				

The O'Fu Savings Bank of Oakland made only one report and then retired. The Valley Depositors Mortgage & Savings Bank of Fresno, shortly after its incorporation, changed its title to the Valley Savings Bank of Fresno, and retired after a brief and uneventful existence. The Industrial Bank of Fresno was closed by the superintendent of banks on October 20, 1909, but allowed to reopen on January 28, 1910. It was sold to the Valley Bank of Fresno on May 22, 1923. The Valley Bank was subsequently purchased jointly by the Bank of Italy and the Pacific Southwest Trust & Savings Bank. The Burbank State Bank was nationalized as the First National Bank of Burbank on November 9, 1911, and was sold to the Security Trust & Savings Bank of Los Angeles on February 3, 1923, at which time the latter bank also purchased the Burbank Savings Bank and the Security State Bank of Burbank. The First Trust & Savings Bank of Oakland was chartered by the stockholders of the First National Bank of

that city to care for its savings and trust business. On August 21, 1914, it became the First Savings Bank of Oakland. It purchased the West Oakland Bank on December 31, 1914, and on May 4, 1922, again changed its title to the American Bank of Oakland. At about that time it entered upon a program of expansion, purchasing the Stanislaus County Bank of Modesto on May 13, 1922, the Livermore Valley Savings Bank on January 18, 1923, the Bank of Tracy on February 14, 1923, the First National Bank of Livermore on May 17, 1923, the First National Bank of Contra Costa County at Martinez on May 18, 1923, the First National Bank of Concord on March 22, 1924, the Bank of San Leandro and the First National Bank of San Leandro on October 4, 1924. On October 14, 1924, the American Bank of Oakland with its various branches, together with the American Bank of San Francisco and the First National Bank of Oakland, were merged into one institution under the title of the American Bank with head offices in San Francisco. On January 3, 1927, the latter and its branches were formally merged with the Mercantile Trust Company of San Francisco and its branches, the resulting combination continuing as the American Trust Company, with branches located in many cities of Central California. The Park Bank of Los Angeles, which had been formed by the consolidation of the Dollar Savings Bank & Trust Company and the Central Trust Company of Los Angeles, was sold to the Bank of Italy on May 1, 1913. The Bank of East Oakland retired within a year after incorporation. The Swedish-American Bank of San Francisco was sold to the International Banking Corporation on October 31, 1910. The Savings Bank of San Leandro was sold to the Bank of San Leandro on July 1, 1910, which in its turn was sold to the American Bank of Oakland on October 4, 1924. The Overland Bank of Auburn became the First National Bank of Auburn shortly after it began operations.

The Traders Bank of Los Angeles absorbed the Market & Produce Bank and the Main Street Bank in 1908, and continued them as branches. On August 5, 1910, it absorbed the South Side Bank and also made it into a branch. On December 4, 1915, the Traders Bank consolidated with the California Savings Bank of Los Angeles, creating the California Savings & Commercial Bank, which was sold to the Hibernian Savings Bank of Los Angeles on June 28, 1919, the latter subsequently being merged with the



SIXTH AND HILL STREETS, LOS ANGELES, ABOUT 25 YEARS AGO
Present site of Pacific Mutual Building and Pacific Finance Building.



RUN ON ALL NIGHT AND DAY BANK, LOS ANGELES
Before it was absorbed by the Hellmans.

Home Savings Bank to form the present California Bank of Los Angeles. The All Night & Day Bank of Los Angeles established a new practice in the banking circles of the state by keeping open for the transaction of business until midnight. The rule of the Los Angeles Clearing House restricted banking hours to the period from 10 a. m. to 3 p. m., and as a consequence the All Night & Day Bank was refused admission. This caused a slight run to be made upon it, resulting in the withdrawal of approximately \$150,000. The bank proved to be successful in attracting deposits, and its competition in that regard forced other Los Angeles banks to follow its example. The International Savings & Exchange Bank was the first to do so, then the Citizens Trust & Savings Bank, and then the American Savings Bank.

The Liberty Bank of San Francisco was later organized as a night and day bank, and several other banks in the larger cities have lengthened their daily hours, while many banks now keep open until 9 or 10 o'clock on Saturday evenings for the accommodation of their depositors. The All Night & Day Bank of Los Angeles was closed by order of the superintendent of banks on October 4, 1910. The old directors, however, were replaced by a much stronger group, and the bank was allowed to reopen on October 18, 1910. It was sold to the Hellman Commercial, Trust & Savings Bank of Los Angeles on April 10, 1913, which merged, in the fall of 1926, with the Merchants National Bank of that city to form the Merchants National Trust & Savings Bank. The Telegraph Avenue Savings Bank of Oakland was sold to the Central Savings Bank of Oakland on May 20, 1913. The City and County Bank of Los Angeles was sold to the Bank of Italy on September 30, 1913.

The Kamikawa Brothers Bank of Fresno voluntarily dissolved about three years after organization because it was either unwilling or unable to abide by the strict provisions of the Bank Act of 1909. The Bank of Perris was closed by its stockholders on April 21, 1919, the superintendent of banks taking possession two days later. However, it was allowed to reopen on July 17, 1919, and has continued in operation since that time. The First Savings Bank of Shasta County at Redding had difficulty in getting under way. A year after incorporation it had only about one-fifth of its capital stock paid in. It and its branch at Kennett were closed by the superintendent of banks on March 25, 1911,

as a consequence of the failure of an affiliated institution, the Bank of Shasta County. It was, however, permitted to reopen on November 15, 1911, and was sold on December 9, 1911, to a new First Savings Bank of Shasta County, incorporated, November 28, 1911. The latter bank purchased the Bank of Anderson on February 3, 1915. It later closed its branch at Kennett, and was sold to the Liberty Bank of San Francisco on March 28, 1926. The Citizens Bank of San Mateo, which was incorporated some time during 1908, was forced to suspend shortly after opening its doors to the public.

The following national banks were organized during the fiscal year ending October 31, 1908:

Name and Location of Bank	Capital	First President	First Cashier
NATIONAL BANKS			
First National Bank, Inglewood.....	\$ 25,000	C. H. Brown	W. G. Brown
Union National Bank, Pasadena.....	100,000	H. I. Stuart	E. H. Groenendyke
Seaboard National Bank, San Francisco.....	250,000	R. J. Tyson	J. E. Hall
United States National Bank, Dinuba.....	25,000	G. W. Wyllie	C. C. Threlkeld
First National Bank, Dinuba.....	25,000	F. H. Wilson	W. J. Deckman
First National Bank, Orosi.....	25,000	O. C. Goodin	W. R. Pigg
National Bank of Visalia.....	200,000	Clarence M. Smith	L. C. Hyde
London-Paris National Bank, San Francisco.....	2,500,000	Sigmund Greenbaum	R. Altschul
First National Bank, Delano.....	25,000	S. Mitchell	H. Hawley
Alameda National Bank, Alameda.....	100,000	J. E. Baker	Chas. E. Tabor
First National Bank, Auburn.....	25,000	W. F. Jacobs	G. W. Brundage
First National Bank, Kerman.....	25,000	Wm. G. Kerkhoff	J. P. Myers

The First National Bank of Inglewood was sold to the Pacific Southwest Trust & Savings Bank of Los Angeles on April 24, 1926. The Union National Bank of Pasadena was sold to the Los Angeles Trust & Savings Bank on June 17, 1921, later becoming part of the branch banking system of the Pacific Southwest Trust & Savings Bank. The Seaboard National Bank of San Francisco was purchased by the Anglo-California Trust Company of that city on October 4, 1920, and made into its Seaboard Branch. The First National Bank of Dinuba purchased the National Bank of Dinuba on June 21, 1922. The First National Bank of Orosi was consolidated with the Citizens Bank of Visalia on November 10, 1910, and conducted as the Orosi branch of that institution until October 2, 1913, when it was voluntarily closed. The Citizens Bank of Visalia itself voluntarily liquidated, May 27, 1915. The National Bank of Visalia was sold to the Bank of Italy on June 4, 1921. The First National Bank of Delano failed in January, 1927. The Alameda National Bank was purchased by the Alameda Savings Bank on June 30, 1921, the merged institution continuing as the Bank of Alameda. The latter was sold to the American Bank of San Francisco on January 30, 1926. The First

National Bank of Kerman was sold to the Valley Bank of Fresno on November 16, 1922.

The State Legislature, meeting in the spring of 1909, passed a most comprehensive and up-to-date banking statute effective July 1, 1909. The last report of the State bank commissioners covers the year ending July 15, 1908. The first report of the State superintendent of banks under the new legislation was for the year beginning June 30, 1909. As a consequence, there is almost a twelve month period in the history of the banking institutions of California that goes unrecorded so far as official documents are concerned. Every effort, however, has been made to fill in the missing data and to uncover the story of the state banks organized during the period July 15, 1908, to June 30, 1909, inclusive. This could be done fairly effectively because it was possible to ascertain the dates of their incorporation. With national banks, however, the date of incorporation is not given in the reports of the United States comptroller of the currency. As a consequence, all the facts concerning those national banks that were organized during the fiscal year ending October 31, 1909, have been grouped together and their presentation has been deferred to the next chapter. The story of those state banks organized after July 1, 1909, has likewise been deferred to the next chapter.

The following banks were chartered by the State of California during the first six months of 1909:

Name and Location of Banks	Date of Incorporation	Capital	First President	First Cashier
Bank of Highgrove.....	Jan. 7, 1909	\$ 25,000	T. B. Cole	W. H. Ryon
Twenty-Third Ave. Bank, Oakland...	Feb. 24, 1909	25,000	F. M. Smith	R. H. Washington
Turlock Savings Bank.....	Mar. 1, 1909	10,000	D. M. Cline	C. O. Anderson
Elmhurst Bank, Oakland.....	Mar. 8, 1909	24,000	L. M. Murdock	A. F. Horstman
Anglo-California Trust Co., San Francisco	April 9, 1909	400,000	H. Fleishhacker	M. P. Lilienthal
Home Savings Bank, Escondido.....	April 21, 1909	25,000	W. H. Baldridge	H. J. Hall
Fairoaks Bank	April 27, 1909	25,000	A. T. Hodge	C. H. Slocum
Homestead Savings Bank, Berkeley...	May 26, 1909	50,000	George Leonard	F. H. Clark
Bank of Tracy.....	June 11, 1909	25,000	J. C. Droge	O. H. Root
Bank of La Mesa.....	June 14, 1909	25,000	C. C. Park	L. Sperbeck
Home Savings Bank, Woodland....	June 22, 1909	50,000	M. O. Harling	J. D. Harling

The Bank of Highgrove voluntarily closed April 11, 1917. The Twenty-Third Avenue Bank of Oakland was sold on March 3, 1917, to the Oakland Bank of Savings, which later became the Oakland Bank. The Turlock Savings Bank was sold to the Peoples State Bank of that city on December 14, 1909. The Elmhurst Bank was sold to the Bank of San Leandro on January 3, 1912, the Bank of San Leandro in its turn being purchased by the

American Bank of Oakland on October 4, 1924. On March 17, 1908, Herbert Fleishhacker and his associates merged the Anglo-Californian Bank, Ltd., with the London-Paris National Bank under the title of the Anglo & London Paris National Bank. At that time a national bank was not permitted to transact a trust business, and there was some question regarding whether or not it could conduct a savings business. Consequently, to retain the savings and trust assets of the Anglo-Californian Bank, Ltd., and further to develop those types of business, Fleishhacker and his associates incorporated the Anglo-California Trust Company under State laws. In 1911, it absorbed the Central Trust Company of San Francisco; in 1912, it purchased the Swiss-American Bank of San Francisco; in 1916, it acquired the Fillmore-Geary Street branch of the International Banking Corporation, and in 1920, it purchased the Seaboard National Bank. In addition to taking over the assets of the above mentioned banks, the Anglo-California Trust Company has been very active in opening branches in various parts of the city, and on January 1, 1927, had seven branches in operation. The Home Savings Bank of Escondido was purchased by the Southern Trust & Commerce Bank of San Diego on June 3, 1924. The Fair Oaks Bank added a savings department on January 22, 1920. The Homestead Savings Bank of Berkeley added a commercial department on October 9, 1914, became the Homestead Bank on November 24, 1914, and on September 8, 1916, was sold to the Berkeley Bank of Savings & Trust Company and its business taken over by the main office of the latter bank. The Berkeley Bank of Savings & Trust Company with its branches was purchased by the Mercantile Trust Company of San Francisco on February 24, 1924. The Bank of Tracy was sold to the American Bank of Oakland on February 14, 1923. The Bank of La Mesa was purchased by the Bancitaly Corporation in the fall of 1926. The Home Savings Bank of Woodland was organized to take over the savings business of the Farmers & Merchants Bank of that city, and the First National Bank of Woodland was organized to take over its commercial business. The Home Savings Bank of Woodland added a commercial department on November 24, 1916, and with its companion institution, the First National Bank, was sold to the Bank of Italy on July 22, 1922.

As is true in so many other fields of economic activity, it took

a crisis to jar the bankers and the public loose from customary practices and traditions. The panic of 1893 was not serious enough in its consequences to make the Californians realize the necessity for a change in the banking laws of the State so as to safeguard the interests of depositors and the public in general. The panic of 1907, which came after an unusually prosperous era, was, however, so severe in its after-effects, and did so thoroughly shake the financial fabric of the state, that it compelled the bankers and certain publicly interested parties to acknowledge the advisability of replacing the old banking law with an up-to-date statute. Such a law was passed by the Legislature of 1909, to become effective on July 1st of that year. This new law abolished the old Board of Bank Commissioners, and placed the supervisory power in the hands of one official, who carried the title of State Superintendent of Banks. As has been mentioned in previous pages, the administration of the Act of 1878 had been carried out with a fair degree of efficiency and satisfaction during the first few years, but the Board of Bank Commissioners, within a very short time, became a political football, its members being chosen because of their political prestige, and not because of any personal qualifications for the positions in question.

In drawing the curtain upon the old Board of Bank Commissioners, it is well to mention those men who served as its members from 1878 to 1909. The first group to be appointed took office on May 16, 1878, its members being Evan J. Coleman, Robert Watt, and James T. Murphy. Murphy resigned after having served one year, and was succeeded by William F. White. The term of office of the commissioners was for four years, or until replaced by their successors. The second board to be appointed in 1882, consisted of J. E. Farnum, Joseph M. Litchfield, and J. L. Rathbone. William F. White, who had succeeded James T. Murphy, maintained that he had been appointed not for Murphy's unexpired term, but for the legal term of four years. Rathbone, not being desirous of contesting White's claim, gave way to White, who served on the second board. The third board was composed of A. W. Potts, W. W. Moreland, and W. F. White. White thus served on three different boards of bank commissioners. At the conclusion of White's eighth year of service, he was succeeded by J. F. Thompson, who did not complete his term. The members of the fourth board were Albert Gerberding, W. H. Knight, and

Charles H. Dunsmoor. The fifth board appointed by the governor in 1893, was made up of Paris Kilburn, H. W. Magee and J. B. Fuller. The sixth group of appointees was composed of John Markley, A. W. Barret and Barnard D. Murphy. The last board appointed under the law of 1878, and which served for only a short time, consisted of Guy B. Barham, J. B. Wright and Dan Kavane. The last mentioned board, it will be remembered, was removed by the governor when the law of 1878 was repealed in 1903. The Bank Commissioners Act of 1903 empowered the governor to appoint a new board of four members. The first appointees were Guy B. Barham, W. H. High, Herman Silver and C. H. Dunsmoor. High resigned in 1904 to accept a position as manager of the San Francisco office of the International Banking Corporation. Z. S. Eldredge was appointed to succeed him. Eldredge, however, served for a very short time, and resigned. He was succeeded by J. C. Currier. Barham resigned in January, 1905, and was succeeded by N. Blackstock. In 1907, the board was made up of Herman Silver, Henry E. Sherer, C. R. Dunsmoor and John C. Lynch. The last Board of Bank Commissioners, displaced by the Act of 1909, was composed of Henry E. Sherer, John C. Lynch (succeeded by W. C. Watson), W. F. Vawter and C. H. Garoutte.

CHAPTER XVI

BANK OPERATIONS UNDER THE ACT OF 1909

1909-1917

July 1, 1909, marks the beginning of a new era in the banking world of California. There may be said to have been three distinct periods in the development of the state's financial institutions, i. e., 1848-1878, 1878-1909, 1909 to date. During the first thirty years, there was little or no legislation regulating the activities and powers of the state's banks. During the next thirty years, banking was carried on under the terms of the bank commissioners Act of 1878, its amendments and a few scattered statutes passed from time to time. The repeal of the Act of 1878 in 1903, and its practical reenactment a few weeks later, was merely a political move, and in no manner improved upon the legislation which had previously been in effect. During this second period, banks increased in number and in importance. Although economic conditions greatly changed, banking legislation remained to a great degree unchanged. The development of the state's industrial, commercial, and financial resources forged far ahead of its banking legislation. Thus, because of lack of adjustment, a number of serious abuses developed in the banking world, which undoubtedly would have been allowed to continue had not the panic of 1907 brought forcefully to the attention of the bankers of the state the necessity of a most comprehensive and thorough revision of the banking laws. Seldom, if ever, was any progressive State so backward in regulating its banking institutions as was California prior to 1909. The Californians were a people blazing new trails in various fields, caring little for the past of any man or business enterprise, accepting things at their face value, and living to a considerable degree a life characterized by the philosophy of individualism and "hands off." But as the economic life of the state became more and more similar to that of the older settled sections of the country, and as the dominant characteristics of the old frontier days gradually passed away, it be-

came necessary to modify the state's banking system along lines which were in harmony with those of other commonwealths, which had had much greater experience in the realm of finance.

When the bank commissioners made their first investigation on June 30, 1878, they listed 28 savings banks, 52 commercial banks, and 4 branches of foreign banks, a grand total of 84 banks, with total resources of \$151,932,430. Those figures did not include the handful of national banks then in existence in various parts of the state. When the bank commissioners made their last report on October 1, 1908, they listed 506 state and private banks, 356 of which were commercial banks, 134 were savings banks, and 16 were private banks. Those 506 banks had total assets of \$539,031,885. The state's banking structure had greatly expanded, not only as to the number of institutions but also as to the character of their activities. A law designed to care for 84 state institutions in 1878 could not, even with the greatest stretch of the imagination, be held to be applicable to a changed economic situation, in which over 500 banks were functioning.

Two fundamental weaknesses had developed under the administration of the statute of 1878. In the first place, the law was not comprehensive enough and imposed very few restrictions upon the activities of a bank. In the next place, the system of supervision and examination had proved to be more or less superficial in character. The administration of the law of 1878 was placed in the hands of three, later four, commissioners of equal authority, but possessed of insufficient power to carry out its provisions. At first the commissioners were supposed personally to examine the state banks, but under the statute of 1903 they were authorized to request the secretary of the board to make the examinations. It was physically impossible for three, or even four, commissioners to visit singly or in a group all of the state banks at least once a year and examine their accounts. Nor was it possible for the secretary of the board to be very effective as a traveling bank examiner. To a great degree the commissioners were politicians holding a political berth, and were not supposed to take their jobs seriously. Under the circumstances, it is really surprising that more failures did not occur, even in times of fair prosperity.

The panic of 1907, with the attendant colossal failure of the California Safe Deposit & Trust Company of San Francisco and

the compulsory closing of fifteen other banks by the bank commissioners, to say nothing of the large number of voluntary liquidations, demonstrated to bankers and governmental officials that the state's banking laws were woefully inadequate to meet the needs of the times. During the panic of 1907, Governor James N. Gillett called a special session of the Legislature for the purpose of taking action on certain pressing measures. Out of that session came the appointment by the governor of a "Special Joint Committee on Reform of Banking Law," later known as the "State Legislative Committee," composed of three senators and four assemblymen. The committee visited the larger cities of the state and held conferences with bankers and others to obtain data to be used in revising the banking laws. California bankers themselves were also active in the campaign, and at the 1908 meeting of the California Bankers Association at Pasadena, the greater part of the session was given over to a discussion of proposals suggested as correctives of existing abuses. A majority of the State Legislative Committee also attended the Pasadena convention. Several excellent addresses were delivered and much debate occurred among the members. Judge Alfred O. Burnett of the Third District Appellate Court of California declared that,

"I think it is generally conceded that much remains to be done to perfect our statutes and make them responsive to enlightened public sentiment. But here, as elsewhere, our opinions as to specific changes are somewhat tentative and it would require a good deal of dogmatism to assert that they are not held subject to revision. I shall content myself with the endorsement of two suggestions. * * * In reference to the first, the supervision of banks, it is said that, 'The object of the bank commission is not to punish roguish bankers, but to prevent bank failures.' The routine of banking is very simple, and a bank examiner when he enters a small country bank, can very soon see whether the business is being properly carried on, and our commissioners can, and doubtless do, check many bad practices by inexperienced bankers. But they are almost useless as examiners of large banks. When the commission was created in 1878 there were 84 banks in the State System, and five men working steadily, could doubtless as the law required, examine each bank in the state at least once a year and do the necessary office work in addition to the political work which is always expected of them. At the date of the last published report there were 458 banks in the State System. Quite a number of them would require one man one month to 'properly examine' and as is further shown, it is impossible for the commis-

sioners, assuming them to be honest and capable, to do the work that is required. * * *

"The other suggestion is that 'There should be a greater separation between the different branches of banking.' * * * But when a bank does a commercial and savings business the separation of the accounts should be so complete that the money of commercial depositors cannot be legally tied up in mortgages. The mingling of commercial and savings deposits has recently wrecked one bank in San Francisco, which seems to have been really solvent and apparently might have been doing a prosperous business today if the officials had not put commercial deposits where they could not be got at when called for."

The Hon. H. W. Magee, a former bank commissioner, also spoke of the needed reforms in the banking law. He claimed that the entire banking code required revision. There was no law defining the kinds of banks which might be put into operation, and no law which specifically defined their powers or limited their authority. There were, including the various classifications and divisions, at least eight different kinds of banks and banking in operation. The State, he declared, should enact a law authorizing only two classes or kinds of banks, namely: commercial and savings banks. The law should prohibit the combination or dual authority of the commercial with the savings bank. Trust companies, purely creatures of the statute, and authorized to handle trust funds and moneys of estates and execute trusts for corporations and for individuals, should be prohibited from engaging in commercial banking or conducting any business other than that of executing trusts. He urged that private banking should be prohibited and restrained. Branch banks or agencies should be restrained or placed under the strict regulation of the law.

A committee of the Bankers Association, which had been previously appointed to study the problem and to bring in a report, did so. The report, containing many excellent suggestions, was vigorously debated and fully discussed by the delegates. Needless to say there was no unanimity of opinion on all of the issues involved, but there was, nevertheless, an agreement on two suggestions: first, that politics and politicians in the administration of banking laws should be eliminated; and, second, that bankers, and not legislators who knew nothing of banking affairs, should frame the proposed act. One of the finest pieces of constructive work ever performed by the California Bankers Association was the creation, following the Pasadena convention, of a Legislative

Committee composed entirely of bankers, which rendered wonderful services in assisting to frame the Act of 1909. The Legislative Committee has been continued down to date as a most influential body in drafting amendments to the banking code of the State. The original Legislative Committee was composed of the following members: J. M. Henderson Jr. (chairman), Sacramento Bank, Sacramento; J. F. Sartori, Security Trust & Savings Bank, Los Angeles; Lovell White, San Francisco Savings Union; Irving F. Moulton, Bank of California, San Francisco; B. G. Tognazzi, Central Trust Company, San Francisco; J. F. Brooke, San Jose Safe Deposit Bank; W. S. Bartlett, German-American Savings Bank, Los Angeles; J. C. Drake, Los Angeles Trust & Savings Bank; M. O. Wyatt, Bank of Winters; Frank Pellet, Bank of St. Helena; J. Y. Eccleston, Oakland Bank of Savings; F. M. West, San Joaquin Valley Bank, Stockton; L. Gundelfinger, Bank of Central California, Fresno; C. C. Bush, Bank of Shasta County, Redding; R. H. Reamer, Farmers & Merchants Bank, Woodland; L. A. Blockman, Blockman Banking Company, San Diego; and Elliott McAllister, representing the Decker & Jewett Bank, Marysville, the Bank of Willows, and the Colusa County Bank of Colusa. Of this group, Elliott McAllister gave his time freely as attorney and as principal legal adviser, and proved to be of invaluable service in helping to frame the new measure. James Deering of the San Francisco Bar and John A. Sturtevant of the Superior Court of San Francisco also assisted.

The Legislative Committee soon proved to be rather unwieldy because of its size, and a sub-committee, composed of Messrs. Henderson, Sartori, Moulton, McAllister, Eccleston, and White, was appointed to meet frequently with the State Legislative Committee and a committee appointed by the Commonwealth Club of San Francisco. The more progressive provisions of bank acts of other states were copied, changed, and, together with certain original sections, finally whipped into shape, and discussed freely for the last time by the Bankers' Legislative Committee on December 18, 1908. It was then placed before the State Legislature, amended, passed, and signed by the governor on March 8, 1909, to become effective July 1st of that year. It superseded all existing State banking laws.

Some years later, in reviewing the history of banking legislation in California, A. A. Calkins, then assistant vice president of

the Security Trust & Savings Bank of Los Angeles, commented upon the Bank Act of 1909 in the following words:

"The act was variously received in various quarters. It was condemned, approved, suspected and misunderstood. No single person could, in advance of its actual trial and interpretation, state with certainty the effect or meaning of many of its provisions. There were many who thought it too strict and too regulatory of banking functions to permit of successful banking operations; those who believed it would drive State commercial banks to become National; and those who thought it too involved for practical application. One critic actually went so far as to say that 'the new Bank Act divides the bankers' work into felonies and misdemeanors.' While bordering on wit and calculated to strike a responsive chord in support of adverse criticism, such a statement can only be characterized as defamatory and wholly untrue. The men who had had most to do with the preparation of the law were firm in their conviction that it was a good law, a conviction which has been justified by the progress of banks and banking under its provisions."

It was a measure designed "to guide inexperienced and untrained bankers," rather than "a measure arbitrarily adopted and designed to force unwelcome methods, under threat of severe penalty, on bankers unwilling to employ them."

The Bank Act of 1909 placed California in the front rank in the matter of efficient and satisfactory banking legislation. From time to time, in fact at every session of the Legislature, amendments have been made upon recommendation of the State Superintendent of Banks and of the Legislative Committee of the California Bankers Association. It would be impossible in a general historical treatment, such as this is supposed to be, to present in detail a study of the provisions of the law of 1909 and the amendments which have been made up to the present time. All that can be done, therefore, is to sketch in a general way the more important provisions of this memorable measure, which began a new era in the realm of finance in this state.

The Bank Act of 1909 centralized authority in the hands of one official, i. e., the State Superintendent of Banks, appointed by the Governor. The law, as it was first enacted, required that he be an experienced banker, but in 1911, the Legislature, acting at the request of a governor who desired to displace the superintendent of banks then in office (a political rival), eliminated that

requirement so as to make possible the appointment of a man who had not been a banker. The chief deputy superintendent, appointed by the superintendent, was required to be a man of practical banking experience. The superintendent was authorized to call for at least three reports a year and to examine all state banks, except savings institutions, at least twice a year. Savings banks were to be examined at least annually. Boards of directors were also compelled to examine their own institutions at least once a year.

One of the most progressive features of the new law was the authorization of "departmental banking." Some banks, prior to 1909, had conducted a commercial and a savings business, or a commercial, savings and trust business, but there were no legal provisions satisfactorily covering that type of organization. The Act of 1909, however, permitted a bank or trust company to obtain authorization from the superintendent of banks to carry on any or all forms of the banking business, i. e., commercial, savings, and trust. If, however, a bank engaged in more than one of these lines of activity, it was required to keep each department separate and distinct from the others as to assets and accounts. In reality, therefore, a bank doing a departmental business would operate two or three separate institutions under the same charter, but each with its own allotted capital, resources, and accounts. The organization and operation of each department was minutely regulated as to loans, investments, reserves and all other matters. That the idea of departmental banking was heartily welcomed by the bankers of the state is shown by the fact that within four months after the law became effective, 115 savings departments were opened by commercial banks and trust companies.

In the matter of capital stock, the Act of 1909 required that no incorporated commercial or savings bank could be chartered with a paid-up capital of less than \$25,000. A bank engaged in both a commercial and savings business on a departmental basis was likewise compelled to have a minimum paid-up capital of \$25,000, but if it were engaged in transacting a commercial and a trust business, or a savings and a trust business, or a commercial, savings and trust business, it had to have a minimum paid-up capital of \$225,000. Surplus was to be built up by carrying one-tenth of the net profits of each half year to the surplus fund until it amounted to 25 per cent of the bank's paid-up capital

stock. Paid-up capital and surplus had to equal at least 10 per cent of the bank's deposit liabilities, although savings banks with capital stock were not required to have a paid-up capital and surplus in excess of \$1,000,000, regardless of the amount of their deposit liabilities. Mutual savings banks had to have a reserve fund of at least \$1,000,000 before receiving a license to operate. When the Bank Act of 1909 was being discussed, it was considered advisable to apportion capital stock on the basis of the population of the city in which the bank was located. But it was feared that such classification would be held to be unconstitutional. However, in 1910, a Constitutional amendment was submitted to the voters of the state and adopted, making it possible for the Legislature of 1911 to establish five classes of cities and to fix the minimum amount of paid-up capital required for banks in each population group. The classification was as follows:

<i>Population</i>	<i>Minimum Paid-up Capital</i>
5,000 or under -----	\$ 25,000.00
Over 5,000 and under 25,000 -----	50,000.00
Over 25,000 and under 100,000 -----	100,000.00
Over 100,000 and under 200,000 -----	200,000.00
Over 200,000 -----	300,000.00

Savings banks were required to carry a cash reserve of 4 per cent of their deposit liabilities. All other state banks were required to carry a reserve of 15 per cent of their deposits, exclusive of State, county, and municipal deposits.

Detailed regulations were also included in the law relative to discount and loan operations, investments, overdrafts, etc. Savings banks, which had previously been but little controlled in the matter of their investments, were limited by the law to investing in securities issued by railroad, public utility and real estate corporations, although no machinery was provided with which to carry into effect the reforms contemplated. Any person, firm or corporation, not subject to the supervision of the superintendent of banks, was prohibited from using the word "bank" or any similar word or phrase indicating that a banking business was being transacted, but it was not until 1913 that private banking was prohibited by statute.

Although California bankers had always engaged to a limited extent in branch banking operations, there had been no provision in the State laws relating thereto. The Bank Act of 1909, how-

ever, prohibited any branch office from being opened except with the approval of the superintendent of banks, such approval to be given only after he had ascertained that public convenience would be promoted thereby. An addition of \$25,000 to the capital stock of the parent institution was required for every branch established. Serious penalties were imposed for violation of any of the provisions of the Act of 1909.

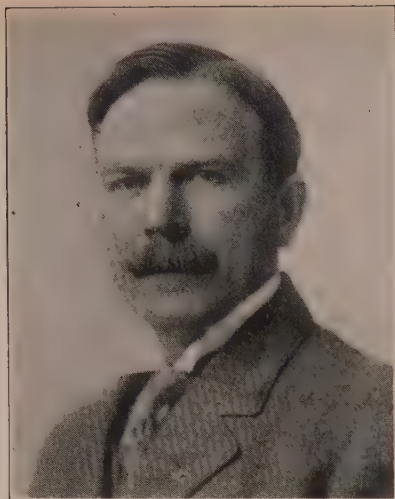
The first superintendent of banks to be appointed was Alden Anderson of Sacramento, who had previously been the Speaker of the Assembly of the State Legislature, Lieutenant-Governor of the State, director of one of the largest commercial banks in Sacramento, and vice president of the Anglo & London Paris National Bank of San Francisco, which last mentioned position he held at the time of his appointment as State Superintendent of Banks. When Anderson entered upon his duties he had under his supervision 486 banks with total assets of \$574,877,292. He was faced with a difficult task. A few months later he was quoted as having said to one of the financial journals of San Francisco:

"This is an awful mess. There is probably not a bank in the whole state that has its business executed in the way of meeting the requirements of every detail of the bank act, and there are some banks in pretty bad shape. For instance, there is one bank whose president owns only one share of the bank's stock, and that is hypothecated. I have got to organize the department, and I have got to make these banks get into line, but I must not be too hasty, because great harm might be done if care is not exercised. For instance, if I was to close up every bank that was not doing business in exact accordance with the law, I would have to close every bank in the State of California, and you can imagine what a disaster that would be, not only to California, but to the whole country."

Consequently he proceeded as gently as possible to place the banks of the state upon a sound basis and in accord with the provisions of the Act. From July 1, 1909, to October 31, 1910, he found it necessary to close ten banks and two branches because of impairment or absence of capital, or because of bad management. They were as follows: Kimmon Ginko (The Golden Gate Bank) of San Francisco closed July 1, 1909; State Savings & Commercial Bank of San Francisco, closed on July 17, 1909; Union State Bank of San Francisco, closed on July 17, 1909; Bank of Paso Robles, closed on August 11, 1909; Oak-

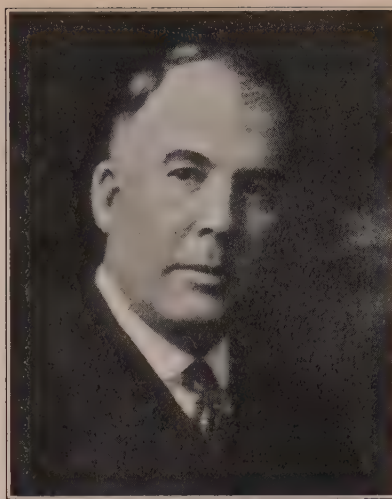
land Japanese Bank, closed on September 16, 1909, allowed to reopen on October 5, 1909, but liquidated in 1910; Japanese Bank of Sacramento, closed on October 14, 1909; Japanese American Bank of San Francisco, closed on October 18, 1909; Nippon Bank of Sacramento, closed on October 19, 1909, allowed to reopen December 6, 1909, but closed again in December, 1924; Industrial Bank of Fresno, closed on October 20, 1909, but allowed to reopen January 28, 1910; and the All Night & Day Bank of Los Angeles, closed on October 14, 1910, but allowed to reopen four days later under new management.

Especially did the Japanese banks of the state give the superintendent of banks considerable trouble, because their records were kept in the Japanese language. An examination of their affairs showed that they had been "simply looted." Since that date, all banks have been compelled to keep their records in the English language. At the suggestion of the superintendent of banks, several other banks, which were in a very serious condition, were voluntarily liquidated by sale of assets to other local institutions, thus avoiding undesirable publicity and the consequent undermining of public confidence. Anderson found 51 banks with impaired capital stock, and compelled them to write off doubtful assets, reduce exclusive loans, and eliminate overdrafts and investments in stocks. The record of failures among the state chartered banks since that time has been surprisingly satisfactory. The banks that have failed and the dates of their suspension are as follows: Bank of Shasta County, Redding, March 25, 1911; Kern Valley Bank, Bakersfield, May 12, 1911; Bank of Modoc County, Alturas, July 23, 1912; Union Savings Bank, Santa Rosa, September 30, 1918; Farmers & Merchants State Bank, Chino, June 28, 1923; Nippon Bank, Sacramento, December 6, 1924; First State Bank, Clovis, March 24, 1925; First Bank of Livingston, May 22, 1926; and the Canton Bank, San Francisco, July 19, 1926. The record is much more satisfactory than it would have been had not a number of state banks, in rather precarious condition as a result of the depression of 1920, been taken over by other institutions which were in excellent shape and able to do so. It may not be amiss to mention in passing that from July 1, 1909, to January 10, 1927, there have been twelve national bank failures in California. So far as is known, there have been no losses to the depositors in state sav-



(Courtesy, Coast Banker)

Alden Anderson, 1909-1911



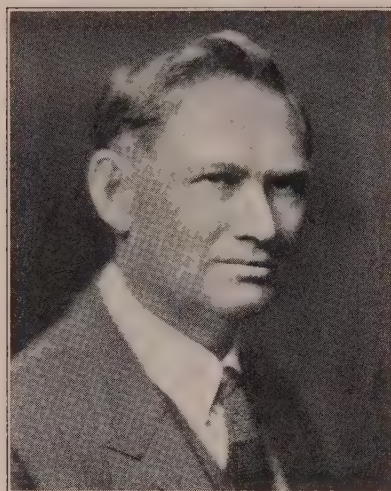
(Courtesy, Coast Banker)

W. R. Williams, 1911-1918



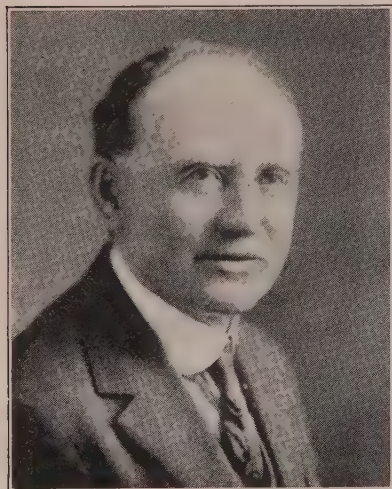
(Courtesy, Coast Banker)

Charles F. Stern, 1918-1921



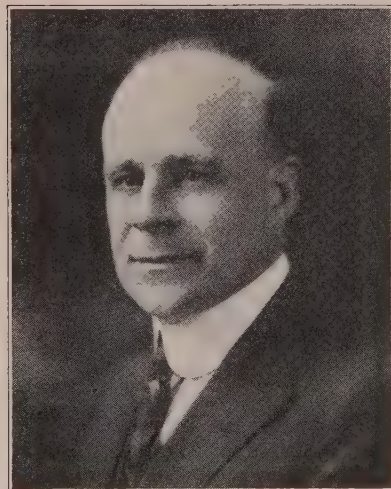
(Courtesy, Coast Banker)

Jonathan S. Dodge, 1921-1923



(Courtesy, Coast Banker)

J. Frank Johnson, 1923-1927



(Courtesy, Coast Banker)

W. C. Wood, 1927-

STATE SUPERINTENDENTS OF BANKS

ings banks, but slight losses to depositors in state commercial banks, and possible losses of more than \$1,000,000 to depositors in national banks. Truly not a bad showing for a seventeen year period!

In the summer and fall of 1910, Alden Anderson was a candidate for election to the governorship of the State and was opposed by Hiram Johnson. Anderson resigned from his office on July 1, 1910, but his resignation was not accepted. He therefore continued to serve as superintendent of banks. Johnson was elected. A month before Governor Gillett's term expired, Anderson was reappointed by the latter for another four years. When Johnson took office, he recommended that the Legislature abolish that section of the law of 1909 which required the superintendent of banks to be a man of practical banking experience. This was done, and Anderson was thereupon summarily dismissed. W. R. Williams, who had previously been twice elected State Treasurer, succeeded Anderson on February 21, 1911. On December 1, 1918, he resigned to become the cashier of the Bank of Italy. C. F. Stern, who was the third superintendent of banks, had been on the State Board of Education, and was at the time of his selection a member of the State Highway Commission. He resigned June 20, 1921, to accept the vice presidency of the First National Bank of Los Angeles and the Los Angeles Trust & Savings Bank. He was succeeded by Jonathan S. Dodge, a banker of Pasadena. Mr. Dodge had assisted in organizing the First National Bank of South Pasadena in 1907, and a little later purchased the South Pasadena Savings Bank. From 1907 to 1921, he served on the Board of Supervisors of Los Angeles County. Upon retiring from the office of superintendent of banks he organized the California Building-Loan Association of Los Angeles of which he has continued to serve as president. On February 1, 1923, John Franklin Johnson, who had been State Treasurer, was appointed State Superintendent of Banks and served until replaced by Will C. Wood on January 20, 1927. Wood had previously been State Superintendent of Public Instruction.

During the first fiscal year under the regime of the Bank Act, 34 new banks and 18 branches of banks already in existence were opened. Ten of the new banks had been chartered before July 1, 1909. Although 12 banks changed from the State to the National system, it was nevertheless a smaller number than for the pre-

ceding year, which seemed to show conclusively that the new law had not resulted in driving state banks into the National system as some critics had claimed would be the case. The first report of the superintendent of banks listed 24 new state banks incorporated between July 1, 1909, and June 30, 1910. They were as follows:

Name and Location of Banks	Date of Incorporation	Capital	First President	First Cashier
Bank of Garden Grove.....	July 9, 1909	\$ 25,000	C. E. Lamme	F. H. Cloyes
Monaghan & Murphy Bank, Needles..	July 25, 1910	25,000	T. J. Murphy	W. C. Kaiser
First Savings Bank, Vallejo.....	July 23, 1909	25,000	J. R. English	G. R. Caden
First Savings Bank of Siskiyou County, Yreka	Sept. 27, 1909	30,000	F. E. Wadsworth	J. A. Thomas
First Bank of San Anselmo.....	Oct. 13, 1909	25,000	J. C. Raas	H. S. Foote
Citizens Bank of Oak Park.....	Oct. 30, 1909	25,000	G. J. Bryte	W. G. Cooper
Russ-Williams Banking Co., Ferndale	Nov. 17, 1909	25,000	F. G. Williams	R. S. Feenasy
Placer County Loan Co., East Auburn	Sept. 16, 1898			
Hibernian Savings Bank, Los Angeles..	Dec. 6, 1909	131,975	R. G. Hill	A. J. Howard
Sebastopol Savings Bank.....	Dec. 18, 1909	25,000	W. W. Monroe	W. M. Fitzsimmons
Bank of Commerce, San Francisco..	Dec. 30, 1909	50,000	R. Davies	O. Ottesen
First Bank of Savings, Fort Bragg	Jan. 11, 1910	25,000	H. A. Weller	J. E. Weller
First Savings Bank, Corcoran.....	Jan. 13, 1910	25,000	J. B. Mayer	A. W. Quinn
Northern Solano Bank, Dixon.....	Jan. 21, 1910	50,000	H. R. Timm	H. L. Bissell
Bank of Concord.....	Feb. 26, 1910	25,000	J. Boyd	M. E. Lyon
Lindsay Savings Bank.....	Mar. 3, 1910	25,000	S. Mitchell	G. V. Reed
Fresno Savings Bank.....	Mar. 16, 1910	67,500	A. B. Clark	W. R. Wells
Redding Savings Bank.....	Mar. 23, 1910	26,000	N. B. Frisbie	E. C. Frisbie
Highland Park Bank, Los Angeles..	Mar. 26, 1910	50,000	R. D. List	O. Lientz
Swiss-American Bank, Petaluma....	April 9, 1910	126,332	Thos. Maclay	R. Righetti
Sacramento Valley Trust Co., Sacramento	April 9, 1910	225,000	A. Bonnheim	L. P. Dodson
Bank of Tropico.....	April 16, 1910	25,000	D. Campbell	J. A. Logan
Bank of Ripon.....	May 2, 1910	25,000	J. S. Moulton	H. L. Dickey
Rivera State Bank.....	May 5, 1910	25,000	F. A. Coffman	W. Rowntree
Palo Verde Valley Bank, Blythe....	June 9, 1910	25,000	Lovell Herb	G. W. Kelsey

The Bank of Garden Grove was nationalized on September 30, 1918, as the First National Bank of Garden Grove. The Monaghan & Murphy Bank of Needles, although incorporated July 8, 1905, did not open for business until July 25, 1910. It was sold to the San Bernardino Valley Bank on March 7, 1925. The First Savings Bank of Vallejo purchased the savings business of the Citizens Bank of Vallejo on November 1, 1909, and was sold to the Liberty Bank of San Francisco on October 3, 1925. The First National Bank of San Anselmo was sold to the Mercantile Trust Company of San Francisco on February 16, 1924. The Russ-Williams Banking Company of Ferndale added a savings department on December 12, 1918. The Placer County Loan Company of East Auburn had been incorporated September 16, 1898, but was not authorized to conduct a banking business until November 22, 1909. On January 17, 1910, it changed its title to the Auburn Savings Bank, and on September 28, 1923, again changed its title to the Central Bank of California. The Hibernian Savings Bank of Los Angeles absorbed the Federal Bank of that city on June 22, 1914. On June 28, 1919, it purchased the California

Savings & Commercial Bank, and on June 28, 1920, merged with the Home Savings Bank to form the Home & Hibernian Bank. On November 12, 1920, the title of the latter was changed to the California Bank of Los Angeles. Approximately a year later the California Bank entered upon a period of expansion, buying the First National Bank of Van Nuys on November 10, 1921, the Bank of Santa Monica on February 1, 1922, the Southside State Bank of Los Angeles on February 28, 1923, the State Bank of Owensmouth on March 24, 1924, and the First National Bank of Lankershim on October 25, 1924. It has also opened a number of branch offices within the city of Los Angeles itself. On January 1, 1927, it had a total of 44 branches. On January 31, 1910, the Sebastopol Savings Bank purchased the savings business of the Bank of Sebastopol. The latter on the same date transferred its commercial business to the First National Bank of Sebastopol. The Bank of Commerce of San Francisco sold its assets to the International Banking Corporation on August 8, 1911, and voluntarily liquidated. The First Bank of Savings of Fort Bragg was sold to the First National Bank of Fort Bragg on September 5, 1922.

The First Savings Bank of Corcoran was organized to take over the savings business of the State Bank of Corcoran, which it did on February 1, 1910. It voluntarily closed, however, on November 11, 1913. The Northern Solano Bank of Dixon became the First National Bank of Dixon on January 2, 1912. The Bank of Concord was sold to the Bancitaly Corporation in the fall of 1926. The Lindsay Savings Bank added a commercial department on March 3, 1924. The Fresno Savings Bank was sold to the Union National Bank of Fresno on April 3, 1920. The latter, as has been stated in previous chapters, was later absorbed by the Sacramento-San Joaquin Bank, and subsequently became a branch of the United Bank & Trust Company with head offices in San Francisco. The Highland Park Bank of Los Angeles, on March 28, 1910, took over the Bank of Highland Park, which had just previously been organized, and on July 19, 1922, merged with the Security Trust & Savings Bank of Los Angeles. The Swiss-American Bank of Petaluma took over the assets of the Wickersham Banking Company on May 1, 1910, and was purchased by the Bank of Italy on January 27, 1923. The Sacramento Valley Trust Company of Sacramento changed its title on July 25, 1912,

to the Sacramento Valley Bank & Trust Company, and on October 7, 1920, was sold to the California Trust & Savings Bank of Sacramento. The Bank of Tropico was nationalized as the First National Bank of Tropico on June 26, 1912. Upon Tropico being annexed to the City of Glendale some six years later, this bank changed its title to the Glendale National Bank on January 17, 1919, and on November 24, 1922, became the First National Bank in Glendale. The Bank of Ripon added a savings department on August 19, 1912. The Palo Verde Valley Bank of Blythe became the First National Bank of Blythe on March 10, 1917.

Inasmuch as the annual report of the United States Comptroller of the Currency covers the fiscal year ending October 31, I have thought it best to defer to this chapter those data that relate to national banks established in California during the fiscal year ending October 31, 1909. The following banks were organized during that period:

Name and Location of Bank	Capital	First President	First Cashier
Butte County National Bank, Chico.....	\$ 250,000	F. C. Lusk	J. R. Robinson
First National Bank, Sanger.....	25,000	D. S. Snodgrass	W. M. Barr
First National Bank, Coalinga.....	50,000	Louis Einstein	C. A. Murdock
El Centro National Bank, El Centro.....	30,000	F. B. Fuller	True Vencill
First National Bank, El Centro.....	25,000	Leroy Holt	J. V. Wachtel, Jr.
Crown City National Bank, Pasadena.....	100,000	J. B. Coulston	Albert Mercer
First National Bank, Exeter.....	25,000	E. J. Norcross	Fred Norcross
First National Bank, Hollister.....	100,000	W. M. Palmtag	C. H. Wagner
First National Bank, Emeryville.....	25,000	F. M. Smith	H. S. Crockett
The National Bank of San Mateo.....	50,000	G. F. Lyons	W. M. Roberts
First National Bank, Merced.....	100,000	L. G. Worden	J. B. Hart
First National Bank, Banning.....	25,000	J. M. Westerfield	S. S. Cutler
First National Bank, Claremont.....	25,000	George Jencks	W. N. Beach
First National Bank, Corcoran.....	25,000	James B. Mayer	A. W. Quinn
Calistoga National Bank, Calistoga.....	25,000	R. J. Tyson	E. L. Armstrong
McCloud National Bank, McCloud.....	25,000	J. H. Queal	William Thompson
First National Bank, Oxnard.....	250,000	J. A. Donlon	George E. Hume
Marine National Bank, San Diego.....	100,000	G. W. Fishburn	O. L. Sellers
First National Bank, Woodland.....	50,000	R. H. Beamer	M. O. Harling
Central National Bank, Oakland.....	1,000,000	J. F. Carlston	H. A. Mosher
Peoples National Bank, National City.....	25,000	John L. Sehon	B. J. Edmonds
Commercial National Bank, Upland.....	25,000	Charles E. Harwood	M. F. Palmer
Farmers & Merchants National Bank, Fullerton...	25,000	F. H. Daley	G. C. Crandall
First National Bank, Wilmington.....	25,000	C. H. Eubank	Don C. Fohl

Very few of the above mentioned banks have continued down to date as independent institutions. The Butte County National Bank of Chico, which was the successor of the old Butte County Bank incorporated in 1873, purchased the commercial department of the Bank of Chico on July 31, 1915, and was sold to the Bank of Italy on September 30, 1922. The First National Bank of Sanger was sold to the Valley Bank of Fresno on February 3, 1923, and on March 1, 1924, became a branch of the Bank of Italy. The First National Bank of Coalinga absorbed the National Bank of Coalinga on March 3, 1916. On November 6, 1922,

it was sold to the Valley Bank of Fresno, and on March 3, 1924, became the Coalinga Branch of the Pacific Southwest Trust & Savings Bank of Los Angeles. The El Centro National Bank was purchased by the Southern Trust & Commerce Bank of San Diego on June 30, 1920. The First National Bank of El Centro was purchased by the Bank of Italy on March 26, 1925. The Crown City National Bank of Pasadena consolidated with the National Bank of Pasadena on June 20, 1914, which, after a series of mergers and changes in title, was finally merged into the Security Trust & Savings Bank of Los Angeles and made into the latter's Pasadena branch. The First National Bank of Exeter, which had previously been the Bank of Exeter, absorbed the Citrus National Bank of Exeter on October 30, 1915. The stockholders of that bank also control the New First National Bank in Visalia and the Security Savings Bank of Visalia. The First National Bank of Emeryville was sold to the Mercantile Trust Company of San Francisco on October 7, 1922. The First National Bank of Merced was purchased by the Bank of Italy on July 14, 1916. The First National Bank of Claremont consolidated with the Claremont National Bank on July 1, 1918, the business being continued under the charter and title of the former. The First National Bank of Corcoran purchased the commercial business of the State Bank of Corcoran on February 1, 1910.

The First National Bank of Oxnard was purchased by the Los Angeles Trust & Savings Bank on June 30, 1922, and later operated as a branch of the Pacific Southwest Trust & Savings Bank. The Marine National Bank of San Diego was sold to the American National Bank of San Diego on March 18, 1916, the latter in its turn being consolidated with the First National Bank of San Diego under the charter and title of the latter on December 27, 1917. The First National Bank of Woodland was chartered to take over the commercial business of the Farmers & Merchants Bank of Woodland, and was sold to the Bank of Italy on July 22, 1922. The Central National Bank of Oakland was organized on August 13, 1909, to take care of the commercial business of the Central Bank of Oakland. The latter changed its title to the Central Savings Bank on April 7, 1911. The Central National Bank purchased the Syndicate Bank on April 29, 1910. The stockholders of the Central National Bank and the Central

Savings Bank purchased the Union Savings Bank on November 28, 1914, the Western Commercial & Savings Bank on September 25, 1915, and the Bank of Commerce of Oakland on December 11, 1915. The savings business of those three institutions was taken over by the Central Savings Bank, while their commercial business was taken over by the Central National Bank. The Peoples National Bank of National City failed on November 7, 1921, as a result of the defalcations of its officers. The Commercial National Bank of Upland was a nationalization of the Commercial Bank of that city under date of October 29, 1909. The Farmers & Merchants National Bank of Fullerton was absorbed by the Bank of America of Los Angeles on June 15, 1925. The First National Bank of Wilmington was sold to the Pacific Southwest Trust & Savings Bank of Los Angeles on February 25, 1924.

Twenty-eight national banks were organized in California during the fiscal year ending October 31, 1910. They were as follows:

Name and Location of Bank	Capital	First President	First Cashier
First National Bank, Vallejo.....	\$ 100,000	P. E. Bowles	B. F. Griffin
First National Bank, San Fernando.....	25,000	J. E. Wheat	T. J. Walker
First National Bank, Lordsburg.....	25,000	Henry L. Kuns	W. D. Frederick
Pajaro Valley National Bank, Watsonville.....	100,000	W. R. Porter	J. J. Morey
First National Bank, Fort Bragg.....	50,000	H. A. Weller	John E. Weller
First National Bank, Sebastopol.....	100,000	W. W. Monroe	W. M. Fitzsimmons
Bank of California, National Association, San Francisco.....	4,000,000	Frank B. Anderson	Irving F. Moulton
First National Bank, Brawley.....	25,000	W. T. Dunn	F. F. Palmerlee
Mercantile National Bank, San Francisco.....	2,000,000	H. T. Scott	John D. McKee
National Bank, Ventura.....	200,000	E. P. Foster	J. A. Walker
First National Bank, Calexico.....	25,000	Sidney McHarg	J. A. Morrison
Reedley National Bank, Reedley.....	25,000	I. J. Peck	Marion Deneen
Calexico National Bank, Calexico.....	25,000	F. Kloeke	William Guntermann
Lindsay National Bank, Lindsay.....	25,000	S. O. Kimball	Chester Dowell
First National Bank, Willows.....	75,000	Frank Moody	M. Pirkey
First National Bank, Richmond.....	100,000	C. E. Worden	Charles J. Crary
Santa Cruz County National Bank, Santa Cruz...	150,000	William T. Jeter	F. J. Hoffmann
First National Bank, Newman.....	50,000	J. N. Stuhr	William J. Burris
First National Bank, Crows Landing.....	25,000	B. T. McCullough	George W. Fink
First National Bank, Holtville.....	25,000	Leroy Holt	R. G. Webster
First National Bank, Scotia.....	25,000	C. W. Penoyer	F. B. Richardson
First National Bank, Vacaville.....	50,000	T. H. Buckingham	H. M. Plimpton
First National Bank, San Leandro.....	50,000	L. C. Morehouse	Charles H. Hale
First National Bank, Laton.....	25,000	J. O. Hancock	C. A. Smith
First National Bank, Paso Robles.....	25,000	W. T. Summers	D. Speyer
First National Bank, Weed.....	25,000	G. I. Wendling	J. M. Potter
National Bank of Orange.....	50,000	W. H. Burnham	J. R. Porter
Western Metropolis National Bank, San Francisco	1,500,000	J. H. Spring	Wm. C. Murdock, Jr.

The First National Bank of Vallejo was organized to take over the commercial business of the Citizens Bank of that city. The First National Bank of San Fernando grew out of the San Fernando Valley Bank. On August 12, 1925, it was sold to the Bank of Italy. The First National Bank of Lordsburg changed its title to the First National Bank of La Verne on November 9,

1917, as a consequence of a change in the name of the city in which it was located. The Pajaro Valley National Bank of Watsonville was organized to take over the commercial business of the Pajaro Valley Bank. The First National Bank of Fort Bragg was a nationalization of the Bank of Fort Bragg. On September 5, 1922, it purchased the Bank of Savings of Fort Bragg, and at the same time changed its title to the Coast National Bank of Fort Bragg. The First National Bank of Sebastopol, chartered on January 3, 1910, grew out of old Bank of Sebastopol which transferred its commercial business to the First National Bank and its savings business to the Sebastopol Savings Bank.

At this point in our story no further mention need be made of the Bank of California, National Association. Its colorful history has been presented in earlier chapters. The First National Bank of Brawley was succeeded by the State Bank, which in its turn was absorbed by the Imperial Valley Bank of Brawley on October 9, 1922. On December 10, 1923, the latter was sold to the Pacific Southwest Trust & Savings Bank. The Mercantile National Bank of San Francisco was sold to the Mercantile Trust Company of that city on July 3, 1920. The history of the Mercantile Trust Company has been detailed in earlier pages and need not be repeated at this point. The National Bank of Ventura was a nationalization of the former Bank of Ventura. On January 23, 1918, it was sold to the Bank of Italy. The First National Bank of Calexico purchased the Calexico National Bank on March 5, 1921. The Reedley National Bank grew out of the Farmers & Merchants Bank of Reedley. The Lindsay National Bank was purchased by the Los Angeles Trust & Savings Bank on June 30, 1922, and later became a branch of the Pacific Southwest Trust & Savings Bank. The First National Bank of Richmond was sold to the Mercantile Trust Company of San Francisco on October 7, 1922. The Santa Cruz County National Bank of Santa Cruz grew out of the Bank of Santa Cruz. The First National Bank of Newman failed on January 31, 1920, as a result of the defalcation of its officers. The First National Bank of Holtville purchased the Citizens National Bank of Holtville on June 9, 1910. The First National Bank of San Leandro was sold

to the American Bank of Oakland on October 3, 1923. The story of the American Bank of Oakland has appeared in previous chapters.

The First National Bank of Laton was the nationalization of the Laton State Bank. The First National Bank of Paso Robles was sold to the Bank of Italy on April 12, 1922. The National Bank of Orange was the nationalization of the former Bank of Orange. The Western Metropolis National Bank of San Francisco was absorbed by the Western National Bank of that city under the charter of the latter, and the Western National Bank in its turn was consolidated with the Merchants National Bank of San Francisco on May 31, 1912. As has already been mentioned, the Merchants National Bank of San Francisco was sold to the Sacramento-San Joaquin Bank on January 31, 1923.

When W. R. Williams, the second superintendent of banks, filed his first annual report with the governor of the State, he flayed in a most condemnatory manner the administration of his predecessor. It will be remembered that Alden Anderson, the first superintendent of banks, had handled the difficult situation, with which he had been faced, with as much diplomacy and gentleness as was possible under the circumstances so as not to upset completely the banking interests of the state. His policies found no favor, however, with his successor who proceeded to criticise most vigorously. Williams claimed that,

"Laws of regulation and restriction had been winked at. Special privileges had dominated a department of government where absolute equality of administration is vital. Instead of strict enforcement of the banking law, there was an evasion systematically conducted and made doubly dangerous by the connivance, and at times the sanction and even suggestion, of this Department. The bankers of California had been misled to believe that state control in their affairs is an officious interference with private interests. A policy of temporizing and discrimination had undermined the essential features of healthy supervision. * * * Almost invariably I have found that the banker called to account for some violation of the law did not understand that it was necessary for him to obey the law. This condition was created by the State Banking Department itself. Bankers knew from the experience of their business competitors that special privilege was to be had for the asking. The law could be suspended, overruled, or simply annulled simply by requesting any or all of these illegal

demands. Bankers came readily to understand that the law of this State governing their institutions would be openly violated under certain conditions for certain individuals and for certain purposes."

A number of concrete instances, taken from the records of his predecessor's administration, were cited by Superintendent Williams to support his contentions. During his years of incumbency, Williams made serious efforts to enforce strictly the provisions of the Bank Act, and also to improve its administration and efficiency by his recommendations to the Legislature of needed amendments.

When Williams filed his second report with the governor he was still forced to confess that,

"Violations of law and a disrespect of restrictions and limitations imposed by statutes have marked the conduct of some bankers under the state jurisdiction during the fiscal year. I regret that, while a majority of banking executives have met the department more than half way in a sincere desire to establish normal and sound financial practices, a sufficient number of offending bankers have conducted themselves in a manner to occasion the department concern. The process of reforming conditions has very largely been educational. Institutions which operated practically as they pleased have been slow to modify their course and to restrain their activities within the bounds of the law.

"Many of the infractions of the law have their sources in illegal burdens which were assumed by banks before the present Bank Act became operative. Those gradually are being eliminated and necessarily some friction has been created. This, however, is unavoidable and must be accepted as one of the incidents of an endeavor to enforce a sound banking policy in this State."

From that date down to the present, the office of the superintendent of banks has had to meet no such difficulties as had to be faced by it during the first three years under the Bank Act. Bankers, when they fully understood the provisions of the law, and realized that they had to live up to its requirements, were quick to do so, and have since that time coöperated fully with the state's officers.

During the fiscal year ending June 30, 1911, the following state banks were chartered:

Name and Location of Banks	Date of Incorporation	Capital	First President	First Cashier
Bank of Lankershim.....	July 18, 1910	\$ 25,000	H. J. Whitley	I. W. Ketchum
Owens Valley Bank, Bishop.....	July 13, 1910	60,000	Harry Shaw	F. K. Andrews
Mission Bank, Santa Clara.....	July 23, 1910	25,000	R. A. Fatjo	H. L. Warburton
Bank of Elk Grove.....	Aug. 23, 1910	25,000	Geo. M. Taverner	C. H. Cooper
Western Metropolis Savings Bank, San Francisco.....	Sept. 19, 1910	50,000	J. H. Spring	A. B. Plomteaux
Security Trust Co., Bakersfield.....	Oct. 7, 1910	300,000	G. J. Planz	W. V. Matlock
Citizens Commercial Bank, Fallbrook	Oct. 19, 1910	25,000	H. Smelser	M. M. Smelser
Vacaville Savings Bank.....	Oct. 26, 1910	25,000	T. H. Buckingham	H. M. Plimpton
Bank of Hughson.....	Nov. 9, 1910	25,000	W. M. Holeman	J. W. Holeman
Bank of Crescent City.....	Nov. 10, 1910	25,000	R. F. Williams	E. C. Hegler
Antioch Bank of Savings.....	Nov. 12, 1910	25,000	J. L. Harding	H. A. West
West Side Bank, Tracy.....	Nov. 12, 1910	50,000	A. Grunauer	C. H. Lundquist
Bank of Folsom.....	Nov. 14, 1910	25,000	I. Hinkle	J. H. Wentz
Citizens Savings Bank, Inglewood..	Nov. 21, 1910	25,000	W. G. Brown	F. A. Zillgitt
Moneta Commercial & Savings Bank	Nov. 25, 1910	25,000	C. B. Casler	F. G. Balridge
Holtville Bank.....	Dec. 13, 1910	25,000	M. L. Hazzard	O. N. Shaw
Mt. Shasta Banking Co., Fort Jones.	Dec. 19, 1910	25,000	A. A. Milliken	B. Thelen
Bank of San Rafael.....	Dec. 23, 1910	100,000	A. W. Foster	J. W. Harper
Bank of Maricopa.....	Jan. 13, 1911	25,000	W. H. Coons	J. W. Wooldridge
Kingsburg Bank.....	Feb. 2, 1911	35,000	N. G. Nelson	O. E. Peterson
Orland Savings Bank.....	Mar. 1, 1911	25,000	Geo. A. Barceloux	W. E. Seearce
Bank of Ceres.....	Mar. 29, 1911	25,000	L. M. MacDonald	W. D. Clarke
Glenn County Savings Bank, Willows	April 28, 1911	25,000	F. B. Glenn	P. L. Reynolds
Merchants Commercial & Savings Bank, Ocean Park.....	May 6, 1911	25,000	C. P. Thomas	G. W. Thomas
Citizens Trust & Savings Bank, Los Angeles.....	May 8, 1911	500,000	Orra E. Monette	H. A. Kehler
Monterey Savings Bank.....	May 19, 1911	25,000	T. J. Field	C. D. Henry
Bank of Patterson.....	May 23, 1911	50,000	T. W. Patterson	C. J. Carlson
Commercial & Savings Bank, Car- pinteria.....	June 2, 1911	25,000	W. D. Isenberg	C. O. Anderson
Richmond Savings Bank.....	June 12, 1911	25,000	C. E. Worden	C. S. Crary

The Bank of Lankershim added a savings department on November 12, 1920, and on February 3, 1923, was merged into the Security Trust & Savings Bank of Los Angeles. The Owens Valley Bank of Bishop voluntarily closed on March 7, 1923. The Mission Bank of Santa Clara was sold to the Bank of Italy on November 15, 1917. The Bank of Elk Grove added a savings department on February 16, 1925. The Western Metropolis Savings Bank of San Francisco voluntarily retired on August 6, 1915. The Security Trust Company of Bakersfield purchased the Bank of Bakersfield on October 15, 1912, and the Bank of Maricopa on December 5, 1923. It added a trust department on March 15, 1915. At present it operates branches at Taft, Fellows, and Maricopa. The Bank of Hughson added a savings department on March 26, 1923. The Bank of Crescent City was sold to the Del Norte County Bank of Crescent City on April 30, 1918. The latter was in its turn sold to the Liberty Bank of San Francisco on September 19, 1925. The West Side Bank of Tracy became the American Bank of Tracy on July 3, 1919. On August 6, 1921, it was sold to the Bank of Italy. The Citizens Savings Bank of Inglewood added a commercial department on March 26, 1919, and was merged with the Security Trust & Savings Bank of Los Angeles on April 5, 1924. The Moneta Commercial & Savings Bank changed its title to the Moneta Com-

mercial Bank on February 19, 1914, and was sold to the Pacific Southwest Trust & Savings Bank in January, 1927. The Holtville Bank added a savings department on December 27, 1915.

The Mt. Shasta Banking Company of Fort Jones was sold to the Scott Valley Bank on August 3, 1915. The Bank of San Rafael purchased the Hotaling Banking Company, and on May 1, 1925, sold its commercial business to the First National Bank of San Rafael. The Bank of Maricopa was purchased by the Security Trust Company of Bakersfield on December 5, 1923. The Orland Savings Bank was merged into the Bank of Orland on November 7, 1921. The Glenn County Savings Bank of Willows changed its title to the Glenn County Bank on May 7, 1920, and was sold to the Bancitaly Corporation in December, 1926. The Merchants Commercial & Savings Bank of Ocean Park changed its title to the Marine Bank of Ocean Park on May 16, 1920. The Citizens Trust & Savings Bank of Los Angeles transferred its commercial department to the Citizens National Bank on March 20, 1912. It purchased the Broadway Bank & Trust Company of Los Angeles on August 2, 1911, and the Southwest State Bank of Los Angeles and a branch on February 2, 1925. On January 1, 1927, it had 26 branches in Los Angeles. Two years after having sold its commercial department to the Citizens National Bank, it decided to add a commercial department, which it did on May 19, 1914. On April 18, 1923, the Valley Bank of Fresno purchased the Monterey Savings Bank and its affiliated commercial institution, the Bank of Monterey. When the affairs of the Valley Bank were taken over by the Bank of Italy and the Pacific Southwest Trust & Savings Bank, the assets of the Monterey branch of the Valley Bank were allotted to the Bank of Italy.

The Bank of Patterson added a savings department on August 2, 1920, and was sold to the Bank of Newman on April 28, 1923. The Commercial & Savings Bank of Carpinteria was, on February 16, 1920, merged with the Lompoc Valley Bank and the Lompoc Valley Savings Bank, both of Lompoc, and the Commercial Trust & Savings Bank of Santa Barbara, to form a new Commercial Trust & Savings Bank of Santa Barbara, which was absorbed by the Los Angeles Trust & Savings Bank on July 1, 1922. The Richmond Savings Bank was sold to the Mercantile Trust Company of San Francisco on October 7, 1922, which also

at the same time purchased the First National Bank of Richmond and the Bank of Richmond.

Twenty national banks were established in California during the fiscal year ending October 31, 1911. They were as follows:

Name and Location of Banks	Capital	First President	First Cashier
First National Bank, Terra Bella.....	\$ 25,000	G. A. Hart	T. M. Gronen
First National Bank, Antioch.....	25,000	J. L. Harding	Herbert A. West
First National Bank, Puente.....	25,000	Marco H. Hellman	Howard R. Link
First National Bank, Pleasanton.....	25,000	H. P. Mohr	Claude Smallwood
First National Bank, Hynes.....	25,000	C. S. Thompson	A. McGorney
First National Bank, Los Banos.....	25,000	J. V. Toseano	Edward A. James
First National Bank, Concord.....	25,000	F. W. Foskett	W. L. Brown
First National Bank, Maricopa.....	25,000	C. E. Worden	N. Y. White
First National Bank, Hayward.....	25,000	J. H. Strobbridge	John A. Park
First National Bank, San Dimas.....	25,000	W. A. Johnstone	John P. Roberts
First National Bank, Colusa.....	75,000	U. W. Brown	H. F. Osgood
First National Bank, Taft.....	25,000	C. E. Worden	C. S. Crary
First National Bank, Los Gatos.....	25,000	Charles N. Cooper	Milton Alison
California National Bank, Santa Ana.....	100,000	John Cubbon	William F. Lutz
Sonoma County National Bank, Petaluma.....	400,000	George P. McNear	Frank H. Denman
Ontario National Bank, Ontario.....	50,000	W. A. Freemire	George A. McCrea
Redding National Bank, Redding.....	100,000	Alden Anderson	Edwin L. Bailey
Placencia National Bank, Placencia.....	30,000	A. S. Bradford	E. C. Hazzard
Farmers & Merchants National Bank, Livermore..	50,000	J. M. MacDonald	F. Mathieson
National Bank of Alhambra, Alhambra.....	50,000	Marco H. Hellman	A. J. Scales
National Bank of Commerce, Pasadena.....	100,000	H. W. Chynoweth	T. J. Stocks

The First National Bank of Los Banos was sold to the Bank of Italy on November 2, 1921. On March 22, 1924, the First National Bank of Concord was purchased by the American Bank of Oakland, and later became, through subsequent mergers and changes in title, the Concord Branch of the American Trust Company. The First National Bank of Maricopa purchased the Maricopa branch of the Producers Savings Bank of Bakersfield on April 24, 1911, and was sold to the Producers Savings Bank of Bakersfield on April 15, 1915. The latter became the Producers National Bank of Bakersfield on April 8, 1919, and was merged with the First National Bank of Bakersfield on May 15, 1919, the business being continued under the title and charter of the latter until it and its three branches were purchased by the Bank of Italy on May 3, 1922. The fourth branch at Maricopa was absorbed by the Bank of Maricopa. The First National Bank of Hayward was a nationalization of the commercial department of the Farmers & Merchants Bank of that city. On September 12, 1921, it was sold to the Bank of Italy. The First National Bank of San Dimas was a nationalization of the Bank of San Dimas. The First National Bank of Colusa was a nationalization of the commercial department of the Farmers & Merchants Bank of Colusa County. The First National Bank of Colusa was closed by the national bank examiners on November 22, 1922, its failure having been caused by frozen crop loans. The First National Bank of Taft was sold to the Producers Sav-

ings Bank of Bakersfield on January 15, 1916, and, following a series of mergers and changes in title, it finally became the Taft branch of the Bank of Italy on May 3, 1922. The California National Bank of Santa Ana was purchased by the Pacific Southwest Trust & Savings Bank of Los Angeles on February 16, 1923. The Farmers & Merchants National Bank of Livermore was sold to the Bank of Italy on April 12, 1917. The National Bank of Alhambra became the Alhambra National Bank on May 27, 1913. On January 11, 1915, it consolidated with the First National Bank of that city under the title and charter of the latter and has so continued down to date.

During the fiscal year 1911-1912, the banks of California continued to show a marked increase in their resources. The increase was widely distributed throughout the state. There were no failures among state or national banks. Nine state banks changed their titles, 8 state banks voluntarily liquidated, 9 went into the national banking system, and 2 nationalized their commercial departments. All of those banks that liquidated, paid their depositors in full. Forty-five state banks were peremptorily ordered by the superintendent of banks to repair their capital stock. Twenty state banks merged with other institutions. Sixteen branches were authorized to open. It may be said that the tendency towards the establishment of branch banking systems on a really large scale was just beginning to be evidenced. In subsequent years it became increasingly marked.

The following state banks were incorporated during the fiscal year ending June 30, 1912:

Name and Location of Banks	Date of Incorporation	Capital	First President	First Cashier
San Dimas Savings Bank.....	July 3, 1911	\$ 25,000	W. A. Johnstone	J. C. Walker
First Savings Bank, San Jacinto....	July 21, 1911	25,000	A. G. Hubbard	C. L. Emerson
Bank of Milpitas.....	Aug. 4, 1911	30,000	M. Lynn	A. L. Crabb
State Bank of Ramona.....	Aug. 9, 1911	25,000	H. F. Johnson	H. F. Johnson
Dinuba Savings Bank.....	Sept. 8, 1911	25,000	W. B. Nichols	C. Wilson
San Leandro State Bank.....	Sept. 8, 1911	50,000	A. S. Weaver	A. S. Weaver
Bank of Dos Palos.....	Sept. 12, 1911	25,000	E. W. Heston	N. H. Bennett
Bank of Riverdale.....	Oct. 23, 1911			
Savings Bank of Winters.....	Nov. 23, 1911	25,000	M. O. Wyatt	I. A. Morris
Burbank Savings Bank.....	Dec. 6, 1911	25,000	H. A. Church	R. O. Church
Northern Solano Savings Bank, Dixon	Dec. 12, 1911	25,000	J. R. Murray	H. C. Chamberlain
Los Angeles Abstract & Trust Co....	Jan. 24, 1901	386,100	G. B. Johnson	L. J. Selby
Inyo County Bank, Bishop.....	Dec. 22, 1911	75,000	W. W. Watterson	M. Q. Watterson
Indian Valley Bank, Greenville....	Jan. 2, 1912	25,000	H. R. Timm	H. L. Bissell
Bank of Daniel Meyer, San Francisco	Jan. 24, 1912	600,000	Albert Meyer	Moritz Meyer
El Segundo State Bank.....	Jan. 27, 1912	25,000	J. E. Howell	J. A. Small
Madera Savings Bank.....	Feb. 29, 1912	25,000	R. Roberts	J. G. Roberts
Citrus Bank, Exeter.....	Mar. 7, 1912	25,000	C. W. Walter	A. L. Canan
La Habra Valley Bank, Brea.....	Mar. 27, 1912	25,000	C. R. Thomas	A. J. Olson
Fort Bragg Commercial Bank.....	Mar. 28, 1912	25,000	C. W. Matthews	H. P. Preston
Bank of Planada.....	April 2, 1912	25,000	J. H. McCarthy	A. A. Werner
Bank of Galt.....	April 5, 1912	25,000	Alden Anderson	J. W. Harper
Farmers & Mechanics Savings Bank, Healdsburg	April 5, 1912	50,000	C. W. Weaver	S. L. Wattles

Name and Location of Banks	Date of Incorporation	Capital	First President	First Cashier
Farmers & Merchants Bank of Lassen County, Susanville	April 5, 1912	50,000	Jules Alexander	W. G. Culbreth
Bank of Princeton	April 19, 1912	60,000	T. Harrington	F. M. Porter
Chula Vista State Bank	April 27, 1912	25,000	W. E. Otis	C. A. Vance
Bank of Gilroy	May 10, 1912	75,000	H. Hecker	W. R. Pyle
Savings Bank of Sutter Co., Yuba City	May 15, 1912	25,000	C. R. Boyd	G. T. Boyd
Sutter County Bank, Yuba City	May 15, 1912	50,000	C. R. Boyd	G. T. Boyd
Security Savings Bank, El Centro	May 19, 1912	25,000	LeRoy Holt	T. L. Doherty
Bank of Wasco	May 22, 1912	25,000	C. E. Worden	L. C. Pontious
Commercial Bank, Sanger	May 23, 1912	25,000	G. S. Coblenz	E. A. Boye
First Bank of Jamestown	June 11, 1912	25,000	W. E. Booker	P. E. Metz
Escalon State Bank	June 13, 1912	25,000	S. J. Irwin	Ira Wolfe
Bank of Lancaster	June 26, 1912	25,000	J. W. Zeal	O. R. Johnson

The State Bank of Ramona added a savings department on July 8, 1922. The Dinuba Savings Bank was nationalized as the United States National Bank of Dinuba on April 7, 1922. The San Leandro State Bank changed its title on December 2, 1920, to the State Bank of San Leandro. The Bank of Dos Palos voluntarily closed on January 25, 1916. The Bank of Riverdale nationalized shortly after its organization and became the First National Bank of Riverdale. The Savings Bank of Winters grew out of the Bank of Winters, which sold its savings business to the former, and nationalized its commercial business as the First National Bank of Winters. Both were purchased by the Liberty Bank of America in February, 1927. The Burbank Savings Bank was, on February 3, 1923, merged into the Security Trust & Savings Bank of Los Angeles. On December 15, 1911, the State superintendent of banks granted permission to the Los Angeles Abstract & Trust Company, chartered January 24, 1901, to engage in trust company business. It became the Los Angeles Title & Trust Company on December 16, 1912, but voluntarily liquidated on November 17, 1915. The Inyo County Bank added a savings department on November 26, 1918. The Indian Valley Bank of Greenville added a savings department on August 10, 1924.

The private banking business of Daniel Meyer of San Francisco was incorporated by his heirs, but liquidated on November 12, 1914. The Madera Savings Bank purchased the savings business of the Bank of Madera on April 17, 1912, and was sold to the Bank of Italy on July 14, 1917. The Citrus Bank of Exeter was nationalized as the Citrus National Bank of Exeter on February 28, 1914, and was absorbed by the First National Bank of Exeter on October 30, 1915. The La Habra Valley Bank of Brea was nationalized on April 25, 1921, as the First National Bank of

Brea. The Fort Bragg Commercial Bank added a savings department on September 12, 1919. On October 1, 1921, it consolidated with the Mendocino Bank of Commerce of Mendocino, creating a new Fort Bragg Commercial Bank. With its branch at Mendocino, it was sold to the Liberty Bank of San Francisco on March 28, 1926. The Bank of Planada voluntarily closed on February 21, 1917. The Bank of Galt added a savings department on June 24, 1916. The Farmers & Mechanics Savings Bank of Healdsburg grew out of the Farmers & Mechanics Bank of that city. The stockholders of the latter nationalized its commercial department as the First National Bank of Healdsburg, and established the Farmers & Mechanics Savings Bank to care for its savings business. On April 10, 1926, the title of the latter was changed to the First Savings Bank of Healdsburg. The Farmers & Merchants Bank of Lassen County, located at Susanville, shortly after organization changed its title to the Lassen Industrial Bank. On July 31, 1919, it added a savings department. The Bank of Princeton was sold to the Colusa County Bank, at Colusa, on June 4, 1924.

The Chula Vista State Bank was purchased by the Peoples State Bank of that city on August 21, 1916. The Bank of Gilroy was a consolidation of the Gilroy Savings & Loan Bank and the former Bank of Gilroy. It was sold to the Bank of Italy on October 21, 1916. The Savings Bank of Sutter County, located at Yuba City, resulted from the dissolution of the business of the old Farmers Coöperative Union of Sutter County. The latter sold its savings business to the Savings Bank of Sutter County, and its commercial business to the Sutter County Bank. The latter was nationalized on December 18, 1912, as the First National Bank of Yuba City. The Security Savings Bank of El Centro became the Security Commercial & Savings Bank on May 25, 1914, and was sold to the Pacific Southwest Trust & Savings Bank of Los Angeles on February 17, 1923. The Bank of Wasco was sold to the Producers Savings Bank of Bakersfield on April 17, 1915. The Producers Savings Bank, with its branches, was nationalized as the Producers National Bank on April 8, 1919, and consolidated with the First National Bank of Bakersfield on May 24, 1919, under the title of the latter. The First National Bank of Bakersfield and branches were purchased by the Bank of Italy on August 11, 1921. The Commercial Bank

of Sanger added a savings department on April 1, 1925. The First Bank of Jamestown sold its commercial department to the Jamestown National Bank on May 13, 1913. The Bank of Lancaster consolidated with the Farmers & Merchants Bank of Lancaster to create the Antelope Valley Bank of that city, chartered on May 10, 1915.

Twenty-nine national banks were established in California during the fiscal year ending October 31, 1912. They were as follows:

Name and Location of Banks	Capital	First President	First Cashier
First National Bank, Burbank.....	\$ 25,000	H. T. Church	R. O. Church
First National Bank, Dixon.....	50,000	H. R. Timm	H. L. Bissell
First National Bank, Parlier.....	25,000	J. F. Hayhurst	J. C. McCord
First National Bank, Winters.....	75,000	M. O. Wyatt	L. A. Morris
First National Bank, Tustin.....	25,000	W. C. Crawford	E. J. Cranston
First National Bank, Suisun.....	100,000	A. L. Reed	E. D. Holley
First National Bank, Gilroy.....	25,000	Charles Hornbeck	E. R. Green
First National Bank, VanNuys.....	50,000	H. J. Whitley	Lewis E. Bliss
First National Bank, Healdsburg.....	100,000	C. W. Weaver	S. L. Wattles
First National Bank, Riverdale.....	25,000	John B. Lewis	Homer J. Hoyt
Northern California National Bank, Redding.....	100,000	N. B. Frisbie	E. C. Frisbie
Capital National Bank, Sacramento.....	100,000	Alden Anderson	W. W. Bassett
Red Bluff National Bank, Red Bluff.....	100,000	T. H. Ramsey	S. W. Murdock
Citizens National Bank, Alameda.....	100,000	James K. Lynch	Frank V. Bardwell
Security National Bank, Pasadena.....	100,000	Ernest H. May	N. E. Macbeth
Marin County National Bank, San Rafael.....	50,000	S. H. Cheda	George C. Hansen
Commercial National Bank, Madera.....	50,000	R. Roberts	J. G. Roberts
National Bank, Tulare.....	100,000	J. LaMarche	L. L. Abercrombie
Healdsburg National Bank, Healdsburg.....	75,000	George H. Warfield	J. R. Williams
Claremont National Bank, Claremont.....	30,000	J. T. Brooks	Paul Houghton
First National Bank, Clovis.....	25,000	Charles Seagur	F. E. Buckman
First National Bank, Venice.....	50,000	A. McNally	J. W. Lawrence, Jr.
First National Bank, Sonoma.....	25,000	Fred Batts	N. J. Heggie
First National Bank, Chino.....	25,000	L. Vredenburg	Edwin Rhodes
First National Bank, Walnut Creek.....	25,000	A. H. Cope	H. G. Flint
Anaheim National Bank, Anaheim.....	50,000	Charles Eygbroad	F. C. Krause
San Fernando National Bank, San Fernando.....	25,000	L. C. Brand	F. P. Grant
Rideout-Smith National Bank, Oroville.....	300,000	Phebe M. Rideout	L. L. Green
Union National Bank, Jamestown.....	25,000	George W. Johnson	C. A. Belli

The First National Bank of Burbank was the nationalization of the Burbank State Bank. It later became the Security State Bank of Burbank and was merged with the Security Trust & Savings Bank of Los Angeles on January 20, 1923. The First National Bank of Dixon had previously been the Northern Solano Bank. The First National Bank of Winters was a nationalization of the commercial department of the Bank of Winters. It was purchased by the Bancitaly Corporation in December, 1926, and in February, 1927, became a branch of the Liberty Bank of America. The First National Bank of Suisun was formerly the Solano County Bank. The First National Bank of Gilroy was sold on January 16, 1918, to the Garden City Bank & Trust Company of San Jose, and later became a branch of the Mercantile Trust Company of San Francisco when the latter purchased the Garden City Bank & Trust Company on October 21, 1922. The First National Bank of Van Nuys was purchased by the Cali-

fornia Bank of Los Angeles on November 10, 1921. The First National Bank of Healdsburg was the nationalization of the commercial department of the Farmers & Mechanics Bank of Healdsburg.

The First National Bank of Riverdale was the nationalization of the Bank of Riverdale. The Northern California National Bank of Redding was the nationalization of the Bank of Northern California. The Capital National Bank of Sacramento was the nationalization of the commercial department of the Capital Banking & Trust Company. The Red Bluff National Bank on July 1, 1925, changed its title to the First National Bank of Red Bluff. The Citizens Bank of Alameda nationalized its commercial department as the Citizens National Bank and sold its savings department to the Citizens Savings Bank of Alameda on April 26, 1912. The Marin County National Bank of San Rafael was the nationalization of the Marin County Bank. On April 12, 1924, it was sold to the Mercantile Trust Company. The Commercial National Bank of Madera was the outgrowth of the Commercial Bank of that city, which on April 17, 1912, sold its savings department to the Madera Savings Bank, and on May 16, 1912, sold its commercial department to the Commercial National Bank of that city. On October 3, 1917, the latter was sold to the Bank of Italy. The Healdsburg National Bank was the nationalization of the commercial department of the Sotoyme Bank of that city. It was purchased by the Liberty Bank of San Francisco on October 31, 1925. The Claremont National Bank consolidated with the First National Bank of that city on July 1, 1918, the business being continued under the title and charter of the latter.

The First National Bank of Venice purchased the commercial department of the Bank of Venice on June 21, 1913. The Bank of Venice thereupon changed its title to the Venice Savings Bank. The First National Bank of Sonoma was purchased by the Mercantile Trust Company of San Francisco on January 27, 1923. The First National Bank of Chino was the nationalization of the Chino State Bank. The First National Bank of Walnut Creek was absorbed by the San Ramon Valley Bank of that city on August 3, 1922. The San Fernando National Bank was purchased by the Pacific Southwest Trust & Savings Bank on January 1, 1923. The Rideout-Smith National Bank of Oro-

ville was the nationalization of the commercial department of the Bank of Rideout, Smith & Company and was sold to the Bank of Italy on April 12, 1922. The Union National Bank of Jamestown was absorbed by the Jamestown National Bank on May 21, 1914, the business being continued under the title and charter of the latter.

After operating for about four years under the clauses of the Act of 1909, the bankers of the state and the superintendent of banks felt that certain changes should be made in the law, so as to provide additional safeguards and make the provisions of the law a little more elastic. Conferences were held between the officers of the State Banking Department and committees of bankers, with the result that the Legislature of 1912-13 made a number of changes in the banking law of the State. They were summarized in the following manner by the State superintendent of banks in his 1913 report:

“A restriction of the conduct of state banking in California to corporations, eliminating the hazard and the very evident disadvantage of private banking as conducted by individuals and copartnerships; the regulation of the activities of foreign banking corporations in this state to a plane of equality with state banks, the foreign corporations having had exceptional special privileges not granted to state banks, particularly in their capacity to loan far beyond the restrictions placed upon capital stock and surplus available in California; the creation of school savings banks, introducing an admirable feature enjoyed in other jurisdictions; making explicit the law which prohibited illegal banking and unwarranted advertisement of banking functions; a prohibition, effective in operation, against the solicitation of savings deposits by unauthorized agencies; a provision for the escheat of unclaimed deposits in all banks, an innovation in the state law which the banks necessarily have objected to for many years, but one which is now in force in practically every other state jurisdiction as well as in this; placing a barrier against the evil of borrowing money by commercial banks and making the capital and surplus the limit for borrowed money, without permission, instead of an unrestricted liberty of borrowing in what amount they please; supervision by the State Banking Department of all securities offered for investment for savings banks; modifying the law governing trust companies, making it clear that private trusts are not under the supervision of the State Banking Department, segregating the so-called court trusts from private trusts, securing a greater measure of protection to court trusts and permitting a

minimum capitalization of one hundred thousand dollars for trust companies in cities having not more than a population of one hundred thousand persons; making flexible the capitalization of departments in state banks and removing the restriction of a fixed capital and surplus which prohibited a healthy growth except under conditions both exacting and annoying; providing for reasonable and effective penalties for violations of law both by banks and those who seek to impress the public as being banks; a greater liberality insured in the operation of commercial banks and in a minor degree of savings banks particularly in the direction of giving to directors, agents and employees larger capacities to borrow the money of their institution either directly or indirectly, at the same time ample machinery being provided for the State Banking Department to possess full knowledge of these particular transactions and to exercise corrective authority against pernicious license; modifications permitting the superintendent to exert his influence for correction to the extent of calling stockholders of banks into session to present to them matters of necessary adjustment; provision that stockholders of banking corporations may be assessed to the full amount of an impairment of capital stock; broader powers given to the Superintendent of Banks in the liquidation of sequestered banks by which many of the inequalities, much of the delay and most of the annoyance to depositors are removed."

In addition to the above, the capital of savings banks formerly fixed at a maximum of one million dollars was regulated to establish a relationship between capital and surplus on the one hand and deposit liability on the other. A limit was placed on the amount which might be loaned by a savings bank to any individual, copartnership or corporation. All banks might utilize their surplus with which to pay losses under such conditions as safety demands. The superintendent was granted the power to establish a system of amortization of bond holdings as his discretion dictated. Recalcitrant banks under the amended law had to pay for special service, the penalty being represented in a per diem charge. The State Banking Department was granted a larger fund so that its activities might find greater and more effective expression in supervision.

During the fiscal year of 1912-1913, four state banks nationalized, ten merged with other banks, three voluntarily liquidated, and twenty-six branch offices were opened. The following twenty-eight state banks were incorporated during the fiscal year in question:

Name and Location of Banks	Date of Incorporation	Capital	First President	First Cashier
Bank of Jamestown.....	July 1, 1912			
National City State Bank.....	July 16, 1912	\$ 25,000	Ed Willoughby	J. W. Donohue
Montebello State Bank.....	July 20, 1912	25,000	H. A. Church	J. W. VanOrsdel
Commercial State Bank, Oakdale...	Aug. 29, 1912	50,000	Robert Davies	W. A. Saylor
Chino Savings Bank.....	Sept. 4, 1912	25,000	L. Vredenburgh	E. Rhodes
Citizens State Savings Bank, Gardena	Sept. 6, 1912	25,000	C. B. Casler	I. S. Ball
Tehama County Savings Bank, Corn- ing	Sept. 6, 1912	50,000	Alden Anderson	H. A. Hunt
Southern County Bank, Anaheim....	Sept. 20, 1912	50,000	C. B. Jones	C. A. Boege
Citizens Savings Bank, Pasadena...	Sept. 26, 1912	125,000	W. H. Hubbard	G. V. Hubbard
Bank of Hopland.....	Oct. 1, 1912	25,000	C. B. Shaw	J. W. Harris
Farmers & Merchants Bank, Lancaster	Nov. 1, 1912	25,000	G. H. Fuller	I. E. Dodge
Commercial Bank, Durham.....	Nov. 19, 1912	25,000	T. H. Mitchell	J. N. Smith
The California Savings Bank, Sacra- mento	Nov. 21, 1912	100,000	W. E. Gerber	F. W. Kiesel
Farmers Savings Bank, Selma.....	Nov. 30, 1912	25,000	W. T. Forkner	C. W. Christensen
East San Diego State Bank.....	Jan. 2, 1913	25,000	R. E. Bier	P. V. Morgan
First Bank of Hermosa Beach.....	Jan. 3, 1913	25,000	J. E. Walker	G. S. Thatcher
Arcata Savings Bank.....	Feb. 7, 1913	25,000	Thomas Baer	F. H. Tooley
Amador Valley Savings Bank, Pleas- anton	Mar. 1, 1913	25,000	H. P. Mohr	C. Smallwood
Bank of Esparto.....	Mar. 6, 1913	25,000	M. O. Wyatt	C. F. George
Farmers & Merchants Bank, Compton	Mar. 6, 1913	25,000	W. Simpson	R. S. Angell
Farmers & Merchants Bank, Burbank	Mar. 27, 1913	25,000	W. L. Pollock	F. F. Sinburn
Bank of Loomis.....	Mar. 27, 1913	25,000	J. J. Brennan	J. G. Callison
LeGrand Bank	Apr. 1, 1913	25,000	Paul Newman	P. Carmean
Bank of Brentwood.....	Apr. 1, 1913	25,000	R. G. Dean	Lee Durham
Glendale Savings Bank.....	Apr. 28, 1913	50,000	E. M. Lee	C. D. Lusby
Santa Ynez Valley Bank, Solvang...	May 8, 1913	25,000	J. M. Gregerson	H. Harkson
Bank of Davis.....	May 8, 1913	25,000	G. W. Sanders	F. P. Wray
Bank of Chowchilla.....	June 17, 1913	25,000	W. D. Cardwell	A. L. Gambrell

The Bank of Jamestown became the Union National Bank of Jamestown on October 29, 1912, and about two years later was absorbed by the Jamestown National Bank. When the group interested in establishing the National City State Bank applied for a license to operate as a bank, Superintendent of Banks Williams objected to the suggested title, "National City Bank," because he felt that some confusion might arise owing to the fact that its title might suggest to some that it belonged to the national banking system. However, he could find no legal basis for his objection, and subsequently granted the desired license, although with the title changed to the National City State Bank. This bank was sold to the Southern Trust & Commerce Bank of San Diego on April 14, 1922. The Montebello State Bank added a savings department on July 14, 1916. On February 25, 1919, it sold its commercial department to the First National Bank of Montebello. About three months later it changed its title to the Montebello Savings Bank, and on February 3, 1923, was merged into the Security Trust & Savings Bank of Los Angeles. The Commercial State Bank of Oakdale was sold to the Farmers & Merchants Bank of Stockton on September 28, 1917. The Tehama County Savings Bank was purchased by the Bancitaly Corporation in December, 1926. The Bank of Hopland on December 17, 1912, purchased the Bank of Cloverdale. As mentioned in the preceding pages, the Farmers & Merchants Bank of Lancaster

consolidated with the Bank of Lancaster to form the Antelope Valley Bank on May 24, 1915. The Commercial Bank of Durham became the Bank of Durham on October 20, 1924. The California Savings Bank of Sacramento added a trust department on March 27, 1917, and on August 7 of that year changed its title to the California Trust & Savings Bank. It purchased the commercial and savings business of the Sacramento Valley Bank & Trust Company on October 7, 1920, and on the same date added a commercial department.

The Farmers Savings Bank of Selma purchased the savings department of the Farmers Bank of Selma on February 5, 1913, the commercial business of the latter being taken over by the Selma National Bank. Both the Farmers Savings Bank and the Selma National Bank were sold to the Valley Bank of Fresno on February 9, 1922. When the Valley Bank was sold to the Bank of Italy and the Pacific Southwest Trust & Savings Bank, the Selma branch was taken over by the Bank of Italy and opened as a branch on March 1, 1924. The East San Diego State Bank changed its title on October 22, 1921, to the California Bank of East San Diego. On December 30, 1922, it was sold to the First Trust & Savings Bank of San Diego. The First Bank of Hermosa Beach added a savings department on January 2, 1920. The Arcata Savings Bank, together with its affiliated commercial institution, the Bank of Arcata, was sold to the Liberty Bank of San Francisco on September 19, 1925. The Bank of Esparto added a savings department on June 9, 1914. The Farmers & Merchants Bank of Compton purchased the Citizens Savings Bank of Compton on June 18, 1921, and was merged with a branch at Lynwood into the Security Trust & Savings Bank of Los Angeles on March 27, 1926. The Farmers & Merchants Bank of Burbank on October 29, 1923, became the Farmers & Merchants Savings Bank of Burbank. It sold its commercial department to the New First National Bank *in* Burbank on December 26, 1923. The latter dropped the word "New" from its title on September 9, 1925, and became the First National Bank *in* Burbank. The Bank of Brentwood was sold to the Bank of Antioch on November 30, 1920. The Santa Ynez Valley Bank of Solvang added a savings department on April 17, 1922. The Bank of Chowchilla was nationalized as the First National Bank of Chowchilla on April 30, 1917.

During the fiscal year ending October 31, 1913, twenty national banks were established in California. They were as follows:

Name and Location of Banks	Capital	First President	First Cashier
First National Bank, Coachella.....	\$ 25,000	J. M. Westerfield	H. A. Westerfield
First National Bank, Yuba City.....	50,000	C. R. Boyd	George T. Boyd
First National Bank, Ducor.....	25,000	H. C. Carr	Arthur L. Harris
First National Bank, Woodlake.....	25,000	James H. Blair	W. S. Bean
First National Bank, Mountain View.....	25,000	C. C. Minton	B. W. Holeman
First National Bank, Hardwick.....	25,000	Charles King	C. E. Bertram
First National Bank, Arcata.....	50,000	Isaac Minor	J. C. Foal
First National Bank, Orland.....	25,000	E. E. Martin	John J. Flaherty
First National Bank, McFarland.....	25,000	S. Mitchell	D. Billings
First National Bank, Torrance.....	25,000	George W. Post	J. W. Post
First National Bank, Tropic.....	25,000	Dan Campbell	John A. Logan
First National Bank, Riverbank.....	25,000	R. W. Hobart	C. B. Pressley
First National Bank, Gardena.....	50,000	C. B. Casler	I. S. Ball
Selma National Bank, Selma.....	50,000	W. T. Forkner	C. W. Christensen
Fowler National Bank, Fowler.....	50,000	J. C. Long	L. J. Harriman
United States National Bank, San Diego.....	100,000	L. J. Wilde	S. A. Reed
Union National Bank, San Diego.....	200,000	J. R. Burrow	C. W. Landis
National Bank of Orosi.....	25,000	S. C. Kimball	W. V. Andrews
National Bank of Bakersfield.....	100,000	C. L. Clafin	J. K. Russell
Farmers & Merchants National Bank, Merced.....	100,000	Isaac Bird	N. H. Bennett
Jamestown National Bank, Jamestown.....	25,000	W. E. Booker	Paul E. Mertz

The First National Bank of Yuba City was the nationalization of the Sutter County Bank, which had grown out of the old Farmers Coöperative Union of Sutter County. When Tropic was annexed by Glendale, the First National Bank of Tropic became the Glendale National Bank. On November 14, 1922, it again changed its title to the First National Bank *in* Glendale. The former First National Bank of Glendale, which had been incorporated a number of years earlier, had in the meantime become a branch of the Security Trust & Savings Bank of Los Angeles. The First National Bank of Riverbank was closed by the national bank examiners on December 21, 1925. The First National Bank of Gardena had previously been the Gardena Bank & Trust Company. The Selma National Bank was purchased by the Valley Bank of Fresno on February 9, 1922, and when the affairs of that bank were finally taken over by the Bank of Italy and the Pacific Southwest Trust & Savings Bank of Los Angeles, the Selma branch became a part of the branch banking system of the Bank of Italy. The Fowler National Bank was absorbed by the First National Bank of Fowler on November 14, 1914, the business being continued under the title of the latter. The National Bank of Bakersfield became the First National Bank *in* Bakersfield on May 3, 1924. The Farmers & Merchants National Bank of Merced was closed by the national bank examiners on September 20, 1926, because of frozen assets and depleted reserves. The Jamestown National Bank was the nationalization of the commercial department of the First Bank of Jamestown.

A year later, May 21, 1914, it absorbed the Union National Bank of Jamestown.

During the fiscal year 1913-1914, three state banks voluntarily retired, six voluntarily closed their branch offices, ten changed their names, four entered the national banking system, nine sold their assets to others, and two became extinct by the process of consolidation. Only one bank, the Citizens Bank of Visalia, was closed by the superintendent of banks, but it was permitted subsequently to reopen under new management and with new capital subscribed.

The following state banks were chartered during the fiscal year of 1913:

Name and Location of Bank	Date of Incorporation	Capital	First President	First Cashier
Bank of Corning.....	July 9, 1913	\$ 50,000	William Dale	C. D. Hill
Novato Bank	July 30, 1913	25,000	J. B. Burdell	G. D. Morrison
Bank of Alex Brown, Walnut Grove.	July 3, 1913	50,000	Alex Brown	J. S. Brown
Blockman Commercial & Savings Bank, San Diego.....	Aug. 14, 1913	125,000	L. A. Blochman	W. S. Dorland
Saratoga State Bank.....	Sept. 10, 1913	25,000	L. H. Schellbach	C. P. Kjelstrup
Bank of Gustine.....	Sept. 13, 1913	100,000	J. L. Nickel	C. W. Hawks
Bank of Downey.....	Sept. 15, 1913	50,000	X. Gephart	H. A. Scott
First Bank of Livingston.....	Nov. 1, 1913	25,000	H. P. Spencer	G. H. Winton
Alturas State Bank.....	Nov. 11, 1913	30,000	J. H. Stewart	A. Hafer
Savings Bank of Tulare.....	Nov. 13, 1913	25,000	J. LaMarche	L. L. Abercrombie
Union Trust Company, San Diego....	Nov. 28, 1913	100,000	J. F. Forward	J. D. Forward
Peoples Loan & Trust Co., Riverside.	Dec. 29, 1913	100,000	R. Best	K. D. Harger
First Bank of La Habra.....	Jan. 5, 1914	25,000	John Leuhm	J. H. Walker
First Savings Bank, Emeryville.....	Mar. 21, 1914	25,000	F. J. Stoer	C. L. Barham
Peoples Savings & Commercial Bank, Chico	Mar. 30, 1914	50,000	J. F. Morehead	H. S. Moir
Marine Commercial & Savings Bank, Long Beach	Apr. 21, 1914	125,000	E. J. Wightman	B. H. Smith
Bank of Western Placer, Lincoln....	May 5, 1914	25,000	F. C. Crosby	G. E. Green
Kaspere Cohn Commercial & Savings Bank, Los Angeles.....	June 22, 1914	300,000	Kaspere Cohn	P. C. Turman
Hibernian Savings Bank, Los Angeles	June 22, 1914	325,000	George Chaffey	A. J. Howard
American State Bank, Brawley.....	June 24, 1914	50,000	F. S. Lack	W. M. Smith

The Bank of Corning was the incorporation of a private bank bearing that title. It added a savings department on June 4, 1918. The Bank of Alex Brown was also the incorporation of a previously existing private bank. It added a savings department on July 17, 1916. The Blochman Banking Company, a private bank, was incorporated as the Blochman Commercial & Savings Bank on August 14, 1913. Its title was again changed on August 5, 1914, to the Security Commercial & Savings Bank of San Diego. The Saratoga State Bank was sold to the Garden City Bank & Trust Company of San Jose on December 28, 1917, and when the latter was purchased by the Mercantile Trust Company of San Francisco, it became a branch of the latter. The Bank of Gustine purchased the Bank of Los Banos on October 14, 1913, and was sold with its branch to the Liberty Bank of San Francisco on March 8, 1926. The Bank of Downey voluntarily

closed on January 23, 1918. The First Bank of Livingston was closed by the State superintendent of banks on May 21, 1926. Its failure was caused by frozen loans. The Alturas State Bank was closed by the superintendent of banks on November 3, 1922. The Bank of Fort Bidwell purchased its assets on April 28, 1923, and continued it as a branch. On March 24, 1924, the latter changed its title to the Modoc County Bank. The Savings Bank of Tulare was purchased by the Los Angeles Trust & Savings Bank on July 1, 1922, and later became a branch of the Pacific Southwest Trust & Savings Bank. The Peoples Loan & Trust Company of Riverside added both a commercial and a savings department on February 11, 1916, and became the People's Trust & Savings Bank on April 6 of that year. It sold its savings and commercial business to the Hellman Commercial, Trust & Savings Bank of Los Angeles on May 21, 1920, but continued to conduct a trust company business for about three years, and then finally liquidated.

The First Bank of La Habra was nationalized as the First National Bank of La Habra on August 30, 1920. The First Savings Bank of Emeryville was sold to the Mercantile Trust Company of San Francisco on October 7, 1922. The Marine Commercial & Savings Bank of Long Beach added a trust department on April 7, 1923, and four days later changed its title to the Marine Trust & Savings Bank of Long Beach. On February 4, 1925, it purchased the Union State Bank of Long Beach, and with its four branches was sold to the Bancitaly Corporation in January, 1927. The Kaspere Cohn Commercial & Savings Bank of Los Angeles was incorporated to take over the private banking interests of Kaspere Cohn & Company. On June 29, 1918, a trust department was added, and the title changed to the Union Bank & Trust Company of Los Angeles. Mention has previously been made of the various steps in the progress of the Hibernian Savings Bank of Los Angeles through its various mergers and changes of title, leading finally to the establishment of the California Bank of Los Angeles in 1920. The American State Bank of Brawley was sold on November 1, 1919, to the Southern Trust & Commerce Bank of San Diego.

Only eight national banks were established in California during the fiscal year ending October 31, 1914. They were as follows:

Name and Location of Bank	Capital	First President	First Cashier
Sonoma National Bank, Sonoma.....	\$ 50,000	T. F. Symons	R. F. Wentworth
First National Bank, Seeley.....	25,000	W. G. Conley	C. H. Connett
Citrus National Bank, Exeter.....	25,000	Charles W. Walter	W. R. Pigg
First National Bank, Heber.....	25,000	Frank Beers	B. C. Beers
Humboldt National Bank, Eureka.....	200,000	E. A. Leach	H. W. Leach
First National Bank, Temecula.....	25,000	E. E. Barnett	C. P. Shumate
Farmers & Merchants National Bank, Santa Cruz..	100,000	W. P. Netherton	
National Bank, Coalinga.....	50,000	A. P. May	J. A. Fluetsch

The Sonoma National Bank consolidated with the First National Bank of Sonoma under the charter and title of the latter on June 4, 1917. The First National Bank of Seeley failed on January 30, 1922, being unable to realize on outstanding loans. The Citrus National Bank of Exeter was sold to the First National Bank of that city on October 30, 1915. The First National Bank of Heber was purchased by the Security Commercial & Savings Bank of El Centro on January 20, 1919. The Humboldt National Bank of Eureka was the nationalization of the Humboldt County Bank. It was consolidated with the First National Bank of Eureka under the title and charter of the latter on July 1, 1921. The Farmers & Merchants National Bank of Santa Cruz was the nationalization of the Peoples Bank of that city. The National Bank of Coalinga was absorbed on March 3, 1916, by the First National Bank of Coalinga. On November 6, 1922, the latter was sold to the Valley Bank of Fresno, and on March 3, 1924, was taken over as a branch by the Pacific Southwest Trust & Savings Bank of Los Angeles.

The enactment of the Federal Reserve Law on December 23, 1913, and the establishment of the Federal reserve banks in November, 1914, made it necessary and advisable for the State Legislature of 1914-1915 to amend the State Bank Act. This was done in various particulars so as to make it possible for the state banks to associate themselves with the Federal reserve system. The story of the Federal Reserve Bank of San Francisco will be presented in Chapter XXII. The law was also amended so as to permit state banks to invest in acceptances. A new section was added requiring licenses of all parties, whether incorporated or not, engaged in the sale or purchase of bills of exchange. Certain modifications of the trust company sections of the Bank Act were also made.

In spite of the serious situation created by the declaration of war by the Allies in August, 1914, the banks of California were only slightly affected. Deposits of state banks increased \$5,852,-511 during the fiscal year 1914-1915, and total resources ex-

panded by \$14,428,631. No commercial bank was forced to close its doors. In the case of savings banks, no notices were required before accounts were permitted to be withdrawn. The bankers of the state met the crisis soberly and confidently. Banks in other sections of the United States, however, were hard pressed for funds and faced a critical situation. Gold was pouring out of the United States in a veritable stream. England, as well as all other European countries which were parties to the conflict, declared moratoria, and prevented debtors in the United States from offsetting their obligations by credits which were owing to them abroad. To protect our finances as much as possible, a National Gold Pool was organized with headquarters in New York, and under an agreement with the Bank of England, arrangements were made to export gold to the Canadian Treasury, instead of to England, so as to make it possible in the future, if conditions reversed themselves, to have the gold where it could easily flow back into the United States. Banks in the clearing houses of the nation were asked to subscribe their quota of a \$100,000,000 Gold Pool, and an oversubscription took place. All of the banks in Los Angeles, twenty-one in number, participated and underwrote the \$1,000,000 assigned to that city. One of the larger banks in San Francisco refused to subscribe. Only one-fourth of the total fund was called for, and only a small part of that amount was used.

To meet the need for currency in the channels of trade, clearing house associations in twelve cities lying east of the Rocky Mountains issued clearing house loan certificates aggregating \$195,754,000. None was issued by any of the California clearing houses. The national banks of California, however, in company with banks in other parts of the United States, had resort to a form of emergency currency made possible by the terms of the Aldrich-Vreeland Act passed by Congress on May 30, 1908. By its provisions, national banks were authorized to organize National Currency Associations and to issue an additional amount of national bank notes secured by commercial paper and by bonds of various kinds other than those of the United States. This law was to expire in 1914, but pending the establishment of the Federal reserve banking system, it was extended to June 30, 1915. Fortunate it was that such was the case, for the national banks of the country had reason to take advantage of its provisions in

1914. Emergency circulation to the extent of \$384,485,000 was issued by the national banks in the various National Currency Associations.

The National Currency Association of Los Angeles was among the first to be organized, being incorporated March 28, 1912, by the Farmers & Merchants National Bank, First National Bank, Merchants National Bank, National Bank of California, Central National Bank, Citizens National Bank, Commercial National Bank, and the United States National Bank, all of Los Angeles, and the First National Bank of San Pedro, the First National Bank of Wilmington, the Hollywood National Bank, and the First National Bank of Hollywood. All of these banks were located within the city limits of Los Angeles. On August 20, 1914, however, the by-laws were amended so as to include national banks in the following counties: San Bernardino, Riverside, Orange, San Diego, Imperial, Ventura and Santa Barbara. This change gave the association seventy-five members, but only thirty-six banks applied for additional currency. Stoddard Jess was president of the association, J. A. Graves, vice president, J. B. Gist, secretary, and W. B. Holliday, treasurer. When the war clouds broke, the association was ready for the emergency. A meeting was held on August 3, 1914, at which preliminary steps were taken to provide the needed currency. J. A. Graves was appointed custodian of the securities to be deposited by the associated banks. The first application was received on August 5, 1914, the second on September 14, the third on September 17, and the last on November 30. In all, \$4,603,250 in emergency currency was issued to the national banks in the association against a deposit of \$11,063,712.35 in securities of one sort or another. The last of the currency was retired on June 28, 1915, two days before the expiration of the law. The total costs incurred amounted to but \$2,287.95, practically all of the officials of the association giving their services free of charge.

The National Currency Association of San Francisco was chartered in April, 1913. The loan committee appointed to act upon all requests for additional currency was composed of James K. Lynch, F. L. Lipman, Frank B. Anderson, and A. Kains. The territory assigned to the Association was all that part of District 12 of the Federal Reserve System, excluding the states of Washington and Oregon and the counties in California covered by the

Los Angeles association. There were 239 national banks in that territory, but the association was composed of only twenty-six banks, nineteen of which were in California (San Francisco, eight; Oakland, two; Sacramento, four; and Bakersfield, San Jose, Eureka, Woodland, and Scotia, one each), six in Utah and one in Idaho. Only fourteen of that number applied for and received emergency currency, aggregating \$8,634,500, and issued against \$25,548,259.29 worth of various kinds of security. The expenses of the association totaled \$4,220. The first currency was applied for on August 8, 1914, and the last, on December 3, 1914. All of it was retired by May 25, 1915.

The effect of the Great War was to be noted also in the relatively small number of state and national banks established during the year in question. Only six state banks and seven national banks were incorporated. Seven state banks sold their assets to stronger institutions, two became extinct by consolidation, two state banks and three branches were voluntarily closed, one state bank entered the national system, and two state banks purchased the assets of national banks. Twenty-one branch offices were licensed. The following state banks were chartered:

Name and Location of Banks	Date of Incorporation	Capital	First President	First Cashier
Citizens Commercial & Savings Bank, Santa Ana	Aug. 20, 1914	\$50,000	E. E. Vincent	L. M. Doyle
Willits Commercial Bank.....	Aug. 22, 1914	25,000	W. T. Saxon	H. B. Ramsey
Bank of San Gabriel.....	Sept. 25, 1914	25,000	W. R. Fee	E. J. Aye
State Bank of Owensmouth.....	Oct. 1, 1914	50,000	R. E. Whitley	J. S. Waring
Culver City Commercial & Savings Bank	Dec. 24, 1914	25,000	H. H. Culver	G. E. McHugh
Antelope Valley Bank, Lancaster....	May 10, 1915	50,000	John Roberts	L. E. Dodge

The Citizens Commercial & Savings Bank of Santa Ana voluntarily closed on March 22, 1917. The Willits Commercial Bank became the First National Bank of Willits on December 31, 1919. The Bank of San Gabriel, with its local branch, was sold to the California Bank of Los Angeles on September 12, 1925. The California Bank of Los Angeles also purchased the State Bank of Owensmouth on March 24, 1924. The Culver City Commercial & Savings Bank was purchased by the Bank of America of Los Angeles on April 13, 1925. The Antelope Valley Bank of Lancaster was the result of a consolidation of the Bank of Lancaster and the Farmers & Merchants Bank of Lancaster. It was subsequently sold to the Liberty Bank of San Francisco.

During the fiscal year ending October 31, 1915, the following national banks were chartered:

Name and Location of Banks	Capital	First President	First Cashier
Continental National Bank, Los Angeles.....	\$300,000	R. S. Heaton	W. D. Howard
First National Bank, Baldwin Park.....	25,000	H. A. Church	J. Cleve Scott
First National Bank, Calipatria.....	25,000	W. T. Dunn	M. Ferguson
First National Bank, Newport Beach.....	25,000	Lew H. Wallace	Max R. Wallace
First National Bank, Rio Vista.....	25,000	A. J. McKinnon	W. L. Brown
First National Bank, Yreka.....	50,000	B. K. Collier	Roger Sherman
First National Bank, Hemet.....	25,000	W. F. Whittier	F. L. Thomas

The First National Bank of Calipatria was absorbed by the Imperial Valley Bank of Brawley on September 12, 1922. The latter, with its branches, was sold to the Pacific Southwest Trust & Savings Bank of Los Angeles on December 10, 1923. The First National Bank of Newport Beach was the nationalization of the Bank of Newport Beach. The First National Bank of Rio Vista was purchased by the State Bank of Rio Vista on November 12, 1921.

For the California bankers, the period of the World War was one of unbounded progress and prosperity. Fewer banks were established than might ordinarily have been expected, but those that were in existence increased their deposits and resources by leaps and bounds. At the close of business on June 30, 1916, the aggregate resources of all state chartered institutions was \$817,774,349, representing an increase six times greater than during the preceding year. Deposits in all state chartered banks had increased sixteen times over the increase for 1915; those of savings banks had expanded by more than seven times the increase recorded for 1915. During the fiscal year of 1916, no banks, state or national, failed. Three state banks and four branch offices voluntarily closed, ten state banks sold their assets to other institutions, two state banks became extinct by consolidation, two national banks sold their assets to state banks, fifteen state banks increased their capitalization, and only two state banks reported reductions. Nine new state banks were incorporated. They were as follows:

Name and Location of Bank	Date of Incorporation	Capital	First President	First Cashier
California Savings & Commercial Bank, Los Angeles.....	Nov. 30, 1915	\$500,000	M. P. Snyder	A. L. Crandall
Farmers & Merchants Bank, Lordsburg.....	Dec. 21, 1915	25,000	L. C. Klinzman	D. S. Newcomer
Farmers Bank, Camarillo.....	Apr. 10, 1916	50,000	J. W. Phelps	H. A. Hawley
Central Bank of Vallejo.....	Apr. 17, 1916	75,000	L. G. Harrier	W. J. Tormey
Security Savings Bank, Exeter.....	May 3, 1916	25,000	T. A. Pogue	H. R. Mills
Bank of Coronado.....	May 19, 1916	50,000	J. D. Spreckels	F. VonTeschmar
Farmers & Merchants Bank, Lodi...	May 24, 1916	50,000	Christ Albright	J. Mettler, Jr.
Industrial Commercial & Savings Bank, Vernon.....	May 5, 1916	50,000	J. W. Phelps	A. L. Hill
Central Bank, Pasadena.....	June 27, 1916	100,000	H. L. Monat	W. H. Magee

The California Savings & Commercial Bank of Los Angeles was formed by a merger between the California Savings Bank and the Traders Bank of that city. It was sold to the Hibernian

Savings Bank of Los Angeles on June 28, 1919, which later, through mergers and changes in title, finally resulted, in 1920, in the present California Bank of Los Angeles. The City of Lordsburg having become LaVerne, the Farmers & Merchants Bank of Lordsburg changed its title accordingly on October 31, 1917. The Central Bank of Vallejo purchased the Peoples Bank of Benicia on December 10, 1919, and on November 22, 1921, became the Central Commercial & Savings Bank of Vallejo. On December 16, 1922, it purchased the Sonoma Valley Bank of Sonoma. On July 23, 1925, it and its branches at Benicia, Sonoma, Santa Rosa and Penngrove were sold to the Liberty Bank of San Francisco. The Bank of Coronado was purchased by the First Trust & Savings Bank of San Diego on December 30, 1922. The Industrial Commercial & Savings Bank of Vernon changed its name to the Industrial Bank of Vernon on March 7, 1921. On December 28, 1921, it purchased the First National Bank of Huntington Park. It was sold to the Hellman Commercial, Trust & Savings Bank of Los Angeles on June 30, 1922. The Central Bank of Pasadena was nationalized as the Central National Bank on February 5, 1921.

During the years of the World War, 1914-1918, the number of national banks incorporated to operate in California remained fairly constant. Eight were chartered in 1914, seven in 1915, seven in 1916, eleven in 1917, and twelve in 1918. During the twelve months ending October 31, 1916, the following national banks were incorporated:

Name and Location of Bank	Capital	First President	First Cashier
San Joaquin Valley National Bank, Stockton.....	\$500,000	R. B. Teefy	F. W. Wurster
First National Bank, Barstow.....	25,000		
Bank of Woodland, National Association, Woodland	200,000	J. L. Stephens	J. I. McConnell
First National Bank, Olive.....	25,000	J. D. Thomas	K. V. Wolff
First National Bank, La Manda Park.....	25,000	J. W. Rogers	R. R. Craig
First National Bank, Lompoc.....	100,000	James Sloan	W. C. Bissinger
First National Bank, Yorba Linda.....	25,000	Lester Keeler	J. W. Hargrave

The San Joaquin Valley National Bank of Stockton was the nationalization of the commercial department of the San Joaquin Valley Bank. It was sold to the Bank of Italy on January 24, 1918. The First National Bank of Barstow voluntarily liquidated on May 25, 1917. The Bank of Woodland, National Association, was a nationalization of the Bank of Woodland. The First National Bank of Lompoc consolidated with the Farmers & Merchants Bank of Lompoc on August 5, 1920, the business being continued under the charter and title of the former. It was purchased by the Bank of Italy on August 4, 1921.

CHAPTER XVII

THE WORLD WAR AND AFTER

1917-1926

The United States declared war against Germany and its allies on April 6, 1917. Immediately, banks and bankers were called upon in various capacities to assist the nation in carrying on its campaign in an effective manner. Scores of officials and hundreds of bank employes shouldered arms and actively participated, on land and on sea, in bringing the struggle to a successful conclusion. Many served on governmental boards and commissions and on local committees. Everywhere the banker was to be found aiding in the sale of Liberty bonds, and later of Victory bonds. Banks subscribed freely to all patriotic movements, to all bond issues, and later to their quota of United States certificates of indebtedness. They dedicated to the Federal government the vast resources of their organizations.

The economic interests of the state had felt the quickening influence of the demands of the Allies for war foods and supplies before the United States became a party to the great conflict, and our bankers had assisted in their expansion to a considerable extent. But when our nation entered the war, even greater demands were made upon the financial resources of the state for help in providing the sinews of battle. The tremendous business activity of the time called for enlarged credits, and while funds were forthcoming in unexampled amounts, credit was at all times protected from dangerous inflation. Paraphrasing the words of one of the prominent state officials, it may be said that the bankers took a pronounced and unequivocal stand for the conservation of credit. They worked to check dangerous tendencies and did much to avert consequences of evil import to the financial structure of the state. The war period was one of vast expenditures, large profits, and high wages, rent and interest.

Business was most active; foreign trade expanded; manufacturing plants, especially those engaged on war contracts, operated to the fullest capacity; crops were normal and prices for agricultural commodities were high; labor was well employed and well paid. For California, in many ways, the times were not greatly unlike those of the Civil War period. But there was one pronounced difference, i. e., the Californians coöperated most heartily with the Federal government in the matter of accepting paper money issues of all kinds. Gold was poured into the coffers of the Federal Reserve Bank of San Francisco to the extent of about \$56,000,000, and the paper money that took its place was willingly accepted by the loyal citizens of California.

"Food will win the war," so it was said, and the agriculturists of the state heard the cry and responded by increasing their acreage and output of foodstuffs. The acreage planted to wheat increased more than 16 per cent, to rice, 27 per cent, to cotton, 33 per cent, and to beans, about 6 per cent. Over 52 per cent of all the ships built for war purposes were constructed in California yards. Up to March 1, 1919, the banks of the state had taken over \$681,000,000 in treasury certificates issued by the Federal government in anticipation of revenues. Californians subscribed for more than \$1,000,000,000 in Liberty and Victory bonds, and for millions of dollars worth of War Savings stamps. They gave \$10,600,000 to the Red Cross, \$1,500,000 to the Y. M. C. A., and more than \$5,000,000 to the United War Work campaign for the Salvation Army, the Knights of Columbus, the War Camp Community Service, etc. Donations of materials, knitted articles, and merchandise totalled more than \$3,300,000.

Approximately 136,418 young Californians rallied to the national colors, and about 1,500, too old to fight, served with the Red Cross, the Y. M. C. A. and other organizations. It is thought that about 3,000 or 4,000 enlisted in the marines and with the Canadian forces. High praise for the loyalty of our people came from President Wilson, who said that, "California, because of the patriotic spirit of her young men, has supplied more soldiers to the American armies in proportion to her population than any other state." And when the war was over, and the flags were again furled, it was a California banker, Henry M. Robinson of the First National Bank of Los Angeles, who aided so greatly in bringing about the rehabilitation of Europe through the work

which he did as a member of the Dawes Commission. It is said that the so-called Dawes plan, which was accepted by Germany and the Allies as the method to be followed in putting that vanquished nation on its feet, was practically the same plan that had been proposed by Robinson five years earlier at the Versailles Peace Conference. It required the fiery personality of Dawes to sell it to the Allies and to Germany.

During the two fiscal years, 1916-1918, the banking power of California expanded at a most amazing rate. During 1914-1915, the total resources of the state chartered banks had increased approximately \$14,500,000; for 1915-1916, approximately \$89,000,000; for 1916-1917, more than \$111,000,000; and for 1917-1918, more than \$92,000,000. In 1918, California stood fifth in the list of states on the basis of state chartered bank resources. Aggregate individual deposits, during 1916-1917, increased almost \$90,000,000 over what they had been at the close of the preceding fiscal year, and during 1917-1918 they increased \$65,678,493 over what they had been on June 30, 1917.

The influence of war conditions continued to be felt in the matter of the incorporation of banking houses. Only eight state banks and eleven national banks were chartered during the fiscal year 1916-1917, although twenty-four new state bank branch offices were licensed. Fifteen state banks sold their assets to other institutions, four state banks became extinct by consolidation, four state banks nationalized, two national banks sold their assets to state banks, five banks voluntarily closed their doors, and eight banks changed their corporate names. During the fiscal year 1917-1918, twelve national banks and only six state banks were incorporated, and two of the latter were the result of consolidations between previously existing institutions. During the same period, twenty-seven state bank branches were licensed, two banks voluntarily retired, sixteen state banks sold their assets to other banks, two state banks became extinct by consolidation, one state bank entered the national system, thirty-eight state banks increased their capital, and four national banks were purchased by state banks.

An interesting development in state banking circles during the World War period of 1914-1918, one which should not be overlooked, was the decline in the number of state chartered banks, and the rapid increase in the number of branches established. On

June 30, 1914, the superintendent of banks reported 473 state banks and 77 branches; on June 30, 1918, he reported 430 state banks and 148 branches. During the same period there had been a slight addition to the number of national banking institutions, which increased from 262 to 273. On the basis of numbers alone, one might conclude that the times were not propitious for the starting of new banks, but the statistics of resources, deposits, and general conditions of the banks in the field do not support such a conclusion. One should also remember that only two California banks failed during the World War period, i. e., the Union Savings Bank of Santa Rosa and its affiliated institution, the Santa Rosa National Bank, the former closing on September 30, 1918, and the latter on October 18, 1918, because of defalcation of officers. During the period under consideration, new banks were not incorporated because there was no immediate need for them, and also because capital was remuneratively employed in other channels.

During the two fiscal years, 1916-1918, covered for the most part by the participation of our country in the World War, the following state banks were incorporated:

Name and Location of Bank	Date of Incorporation	Capital	First President	First Cashier
Santa Barbara Trust Company.....	July 1, 1916	\$ 100,000	C. A. Edwards	J. M. Warren
Sumitomo Bank, Ltd., Osaka, Japan, San Francisco Branch Office.....	Aug. 11, 1916	300,000	Baron K. Sumitomo	Seichi Koh (Mgr.)
The Spalding Company, Los Angeles.....	Mar. 9, 1908	250,000	Rufus P. Spalding	W. T. Parks (Sec.)
First Savings Bank, Eureka.....	Aug. 28, 1916	50,000	A. E. Connick	H. F. Charters
International Bank, Calexico.....	Sept. 27, 1916	25,000	F. D. Hevener	P. B. Steintorf
Placencia Savings Bank.....	Nov. 20, 1916	25,000	A. S. Bradford	E. C. Hazzard
Bank of Alameda County, Alvarado.....	Dec. 16, 1916	125,000	August May	J. R. Blacow
Ardizzi-Olcese Bank, Bakersfield.....	Dec. 19, 1916	50,000	L. V. Olcese	W. V. Bower
Puente Savings Bank.....	Jan. 27, 1917	25,000	G. E. Cross	H. R. Link
San Fernando Valley Savings Bank, San Fernando	Mar. 26, 1917	25,000	J. M. Douglass	F. W. Prince
Southern Trust & Commerce Bank, San Diego	July 11, 1917	1,000,000	G. A. Davidson	F. H. Thatcher
Broadway Bank, Oakland.....	Aug. 9, 1917	200,000	B. F. Edwards	F. F. de Lisle
Bank of Cottonwood.....	Apr. 27, 1918	25,000	A. W. Smith	P. R. Merrill
Bank of South San Joaquin, Manteca.....	May 18, 1918	50,000	Frank Guernsey	H. Campbell
British American Bank, San Francisco.....	June 10, 1918	1,000,000	A. G. Fry	A. G. Fry
Commercial Trust & Savings Bank, Santa Barbara	June 17, 1918	575,000	A. Edwards	J. S. Edwards

The Santa Barbara Trust Company voluntarily liquidated on January 10, 1922. The Sumitomo Bank, Ltd., of Osaka, Japan, opened a branch office in San Francisco on August 11, 1916. Some years later it incorporated a branch at Sacramento and purchased the assets of the Nippon Bank of that city, which had been closed by the superintendent of banks on December 5, 1924. The Spalding Company, a corporation, chartered March 9, 1908, was licensed by the superintendent of banks on August 23, 1916, to

operate as a trust company to care exclusively for the interests of the Spalding estate. The First Savings Bank of Eureka on July 1, 1921, combined with the Home Savings Bank under the charter of the latter. The merged institution was sold to the Liberty Bank of San Francisco on November 30, 1925. The International Bank of Calexico became the Central Bank of Imperial Valley on September 4, 1920. The Placentia Savings Bank was sold to the Bank of America of Los Angeles on December 22, 1925. The Bank of Alameda County at Alvarado was formed by the consolidation of the former Bank of Alameda County and the Niles State Bank. The Ardizzi-Olcese Bank of Bakersfield added a savings department on October 27, 1920, and was sold to the Bank of Italy on April 22, 1922. The San Fernando Valley Savings Bank of San Fernando added a commercial department on June 26, 1922, and was sold to the Bank of Italy on March 26, 1925.

The Southern Trust & Commerce Bank of San Diego was created by the consolidation of the Bank of Commerce and the Southern Trust & Savings Bank of that city. It purchased the American State Bank of Brawley on November 1, 1919, the El Centro National Bank on June 30, 1920, the National City State Bank on April 14, 1922, the Home Savings Bank of Escondido on July 3, 1924, the Escondido Savings Bank on June 30, 1926, and the Escondido National Bank on July 31, 1926, and was sold to the Bancitaly Corporation in January, 1927. The Broadway Bank of Oakland was sold to the Bank of Italy on July 22, 1922. The Bank of South San Joaquin of Manteca became the Bank of Manteca on July 6, 1922. The British-American Bank was the successor of the Bank of British America, the greater part of the stock being held by the Bank of Montreal, which had purchased the assets of the Bank of British America and its branches. As mentioned earlier, the Commercial Trust & Savings Bank of Santa Barbara was formed by the consolidation of the Commercial Bank of Santa Barbara and the Santa Barbara Savings & Loan Bank, and on February 16, 1920, merged with the Lompoc Valley Bank and the Lompoc Valley Savings Bank, both of Lompoc, and the Commercial & Savings Bank of Carpinteria, to form a new Commercial Trust & Savings Bank of Santa Barbara, with a paid-up capital stock of \$1,000,000. On July 1, 1922, it was sold to the Los Angeles Trust & Savings Bank.

The following national banks were incorporated during the two fiscal years ending October 31, 1918, which period roughly covers the months of our war activities:

Name and Location of Banks	Capital	First President	First Cashier
1916-1917			
American National Bank, San Bernardino.....	\$100,000	R. D. McCook	Wm. O. Harris
First National Bank, Blythe.....	25,000	A. F. Masterman	Charles M. Hawks
First National Bank, King City.....	60,000	L. B. Ulrey	H. E. Wetzel
First National Bank, Ukiah.....	50,000	H. T. Hopper	W. F. Thomas
First National Bank, Chowchilla.....	25,000	W. D. Cardwell	A. H. Gambrell
First National Bank, Fairfield.....	25,000	Henry Goosen	James N. Watson
California National Bank, Modesto.....	100,000	C. R. Gailfus	Charles L. Thwing
First National Bank, Bishop.....	25,000	C. A. Eastman	William J. George
First National Bank, Victorville.....	25,000	L. D. Gilbert	E. S. Gobble
First National Bank, Sherman.....	25,000	O. N. Beasley	Thomas Feron
First National Bank, Del Rey.....	25,000	H. S. Hulbert	A. A. Werner
1917-1918			
First National Bank, Marysville.....	50,000	Phebe M. Rideout	P. T. Smith
First National Bank, Turlock.....	50,000	Howard Whipple	F. W. Hosmer
Lodi National Bank, Lodi.....	100,000	H. E. Welch	C. M. Ferdun
Chowchilla National Bank, Chowchilla.....	50,000	D. C. Smitz	W. P. Coombs
Sebastopol National Bank, Sebastopol.....	50,000	A. B. Swain	E. F. Jewell
First National Bank, Gridley.....	40,000	F. L. Bratton	J. A. Schafer
First National Bank, Rodeo.....	25,000	T. J. O'Leary	J. A. Banks
Commercial National Bank, Vallejo.....	100,000	W. K. Cole	Thomas Feron
Farmers & Merchants National Bank, Calipatria....	50,000	O. K. Thomas	F. A. Monroe
First National Bank, Cutler.....	25,000	A. Blank	B. G. Ensign
First National Bank, Arcadia.....	25,000	John H. Bartle	B. C. Byrne
First National Bank, Garden Grove.....	25,000	J. M. Woodworth	A. J. Ericksen

The First National Bank of Blythe was a nationalization of the Palo Verde Valley Bank. The First National Bank of King City was purchased by the Bank of Italy on July 27, 1921. The First National Bank of Ukiah had previously been the Bank of Ukiah, the First National Bank of Chowchilla had been the Bank of Chowchilla, and the First National Bank of Sherman had been the Bank of Sherman. The California National Bank of Modesto was forced to close on April 13, 1921, as a consequence of a run made by its depositors. The First National Bank of Turlock was the second bank bearing that name, the first having liquidated on March 19, 1907. The Lodi National Bank and the Citizens National Bank of Lodi consolidated under the charter and title of the former on January 1, 1926. The merged institution was licensed to engage in trust company activities on June 8, 1926. On March 24, 1918, the Sebastopol National Bank purchased the commercial assets of the Analy Savings Bank, with the exception of those of the latter's branch located at Forrestville. The First National Bank of Gridley closed its doors on January 29, 1921, being unable to realize on its outstanding loans. The Vallejo Commercial National Bank was a nationalization of the commercial department of the Vallejo Commercial Bank, which after having thus disposed of its commercial business, changed its name to the Vallejo Bank of Savings. The Farmers & Merchants National Bank of Calipatria consolidated with the First National

Bank of that city under the title of the latter. The First National Bank of Calipatria was sold to the Imperial Valley Bank of Brawley on September 12, 1922. The latter became a branch of the Pacific Southwest Trust & Savings Bank of Los Angeles on December 10, 1923. The First National Bank of Garden Grove was a nationalization of the Bank of Garden Grove.

On November 11, 1918, the armistice was signed and the World War came to an end. Industry which had been expanded and speeded up to meet war needs now faced the difficult task of readjusting itself to the requirements of peace. For a little over a year, prosperity continued to smile upon the nation's business, prices rose, employment was general, and abundant opportunity existed for the investment of funds. Then suddenly the crash of 1920 occurred, followed by a violent financial and industrial adjustment. Five million men were unemployed, factories and mines were closed, prices tumbled headlong towards lower levels, bank after bank went into the hands of receivers, but again California found itself in a better condition than its sister states. It had been the last to feel the devastating effects of the inflation period, and it was the first to recover therefrom, agriculture alone feeling the results for several years thereafter. While banks in other parts of the country reported decreased resources and straitened conditions, those of California attained new high records both for total resources and deposits and for an annual increase in both. State chartered bank resources increased \$110,-600,012 during the fiscal year of 1919, \$272,926,544 during the fiscal year of 1920, and \$93,676,143 during the fiscal year of 1921. During the three fiscal years in question; individual deposits of state chartered banks increased respectively \$113,283,586, \$227,-958,001, and \$66,941,612. Nothing could have better disclosed the worth and soundness of our state banking system than the above results. Only one state bank was closed by the superintendent of banks, i. e., the Bank of Perris on April 23, 1919, and then only because it had been wrecked by one of its officers. It was reopened on July 17, 1919. The First National Bank of Newman closed on January 31, 1920, because of defalcations of officers. Three national banks were taken over by national bank examiners in 1921, i. e., the First National Bank of Gridley, closed on January 29, 1921, because it was unable to realize on loans; the California National Bank of Modesto closed by a run

on April 13, 1921; and the Peoples National Bank of National City closed on November 7, 1921, because of defalcations of officers.

At the close of business on June 30, 1919, there were 425 state banks with 146 branches. During the fiscal year of 1918-19, three state banks and five branches voluntarily closed, six state banks and one branch office were sold, four state banks became extinct by consolidation, three state banks entered the national banking system and four state banks changed their titles. The state banks chartered during that period were as follows:

Name and Location of Banks	Date of Incorporation	Capital	First President	First Cashier
Farmers & Merchants Bank, Watts..	Sept. 4, 1918	\$ 30,000	C. R. Church	Paul Blythe
Portuguese - American Bank, Los Banos	Oct. 19, 1918	50,000	B. G. Tognazzi	R. P. Snyder
Commercial Bank of Spanish America, Ltd., San Francisco.....	Oct. 18, 1918	300,000	E. H. Green	J. H. Vinter (Mgr.)
Bank of Isleton.....	Mar. 7, 1919	50,000	J. W. Gardiner	E. L. Facer
Park-Union Foreign Banking Corporation, San Francisco.....	Apr. 7, 1919	300,000	J. H. Vinter (Mgr.)	J. M. Mackinnon
Bank of Courtland.....	Apr. 12, 1919	25,000	C. E. Hollister	W. P. Clarke
General Motors Acceptance Corporation, San Francisco.....	Apr. 15, 1919	600,000	C. R. Warren (Mgr.)	
Farmers & Merchants Savings Bank, Santa Ana	June 18, 1919	150,000	W. A. Huff	Alex Brownridge

The Farmers & Merchants Bank of Watts added a savings department on February 5, 1919. The Portuguese-American Bank of Los Banos was sold to the Portuguese-American Bank of San Francisco on May 3, 1921, which in turn was purchased by the Mercantile Trust Company of San Francisco on February 25, 1924. The Commercial Bank of Spanish America, Ltd., was chartered under state laws to conduct only a commercial business. It was a branch of the Commercial Bank of Spanish America, Ltd., which was affiliated with the British Bank of South America, Ltd., and the Anglo-South American Bank, Ltd., both of which were English institutions. The San Francisco branch was voluntarily liquidated in August, 1926, its business being taken over by the Wells Fargo Bank & Union Trust Company of San Francisco. The Park-Union Foreign Banking Corporation, with headquarters in New York opened a San Francisco branch during the year, with \$300,000 capital stock assigned to the local house. It is interesting to note that J. H. Vinter was manager of the San Francisco branches of both the Commercial Bank of Spanish America, Ltd., and the Park-Union Foreign Banking Corporation. The Park-Union Foreign Banking Corporation voluntarily closed its local office on May 31, 1922. The General Motors Acceptance Corporation opened a San Francisco office un-

der state charter during the year to engage primarily in extending loans and in discounting commercial paper arising out of the sale of automobiles manufactured by the General Motors Corporation. The Farmers & Merchants Savings Bank of Santa Ana was created by the consolidation of the Home Savings Bank and the Santa Ana Savings Bank.

During the fiscal year ending October 31, 1919, the following national banks were established in California:

Name and Location of Banks	Capital	First President	First Cashier
First National Bank, Montebello.....	\$ 25,000	H. A. Church, Jr.	George S. Dodge
First National Bank, Cloverdale.....	50,000	C. B. Shaw	C. L. Sedgley
First National Bank, San Juan.....	25,000	T. S. Hawkins	R. H. Pearce
Puente National Bank, Puente.....	25,000	W. D. Townsend	W. E. McCumiskey
First National Bank, Crockett.....	25,000	T. J. O'Leafy	J. B. Ledbetter
Producers National Bank, Bakersfield.....	200,000		
First National Bank, Caruthers.....	25,000	W. C. Freeland	W. H. Lemmon
First National Bank, Pittsburg.....	50,000	O. A. Pearce	J. W. Ethington
First National Bank, Vernon.....	25,000	J. B. Leonis	Ray J. Folks
First National Bank, Pixley.....	25,000	Charles E. Denman	J. Speer
First National Bank, Bell.....	25,000	Thomas V. Cassidy	G. E. Moreland
National Bank & Trust Company of Pasadena.....	300,000	J. B. Coulston	R. C. Davis
First National Bank, Tranquillity.....	50,000	E. E. Slater	A. S. Fuqua
Beverly Hills National Bank, Beverly Hills.....	30,000	Kirk B. Johnson	O. N. Beasley
Growers National Bank, Fresno.....	200,000	J. Bidegaray	M. L. Wells
First National Bank, San Joaquin.....	25,000	A. D. McKean	J. W. Kimball
College National Bank, Berkeley.....	200,000	B. F. Lynip	B. G. Ensign
Security National Bank of San Maeto County, Half-Moon Bay	25,000		

The First National Bank of Montebello was a nationalization of the commercial department of the Montebello State Bank. It subsequently became the Security State Bank of Montebello, which was sold to the Security Trust & Savings Bank of Los Angeles on January 20, 1923. The First National Bank of Cloverdale had previously been the Bank of Cloverdale. The First National Bank of San Juan was sold to the Bank of Italy on August 21, 1923. The history of the Producers National Bank of Bakersfield has already been given several times in previous pages and need not be repeated. The First National Bank of Pittsburg was purchased by the Bancitaly Corporation in December, 1926. The story of the National Bank & Trust Company of Pasadena has also been presented in detail in earlier pages. It may be remembered that it was formed as a result of the consolidation of the National Bank of Pasadena and the former National Bank & Trust Company of that city, under the title of the latter, the new charter bearing the date of October 7, 1919. Through subsequent mergers it became the Pasadena branch of the Security Trust & Savings Bank of Los Angeles on December 3, 1921. The Beverly Hills National Bank shortly after its incorporation (November 8, 1919) changed its title to the First National Bank of Beverly Hills. The Growers National Bank

of Fresno changed its title to the First National Bank *in* Fresno on May 21, 1923. The College National Bank of Berkeley was sold to the stockholders of the American Bank of San Francisco in the summer of 1926, but was continued as a separate institution. The Security National Bank of San Mateo County, located at Half-Moon Bay, although chartered during this year, never opened for business.

On June 30, 1920, there were 420 state banks with 167 branches in operation. Eighteen state banks had been chartered and forty new state bank branches had been licensed to open during the fiscal year ending on that date. Six banks had been sold to other institutions, thirteen banks had changed their titles, six banks had become extinct by consolidation, and nine state banks had been nationalized, although during the same period approximately ten national banks had given up their charters to become state banks. The following state banks were incorporated during the fiscal year of 1919-1920:

Name and Location of Banks	Date of Incorporation	Capital	First President	First Cashier
Farmers & Merchants Bank, Exeter..	July 30, 1919	\$ 35,000	C. A. Hahn	H. R. Mills
Peninsula Bank, Burlingame.....	Aug. 1, 1919	50,000	W. F. Duffy	F. E. Parfitt
Bank of Montreal, San Francisco....	Sept. 5, 1919	300,000	A. G. Fry (Mgr.)	
California Bank of San Mateo County, San Bruno	Sept. 7, 1919	25,000	J. S. Crary	H. Hatch
Standard Bank of Orange County, Fullerton	Oct. 29, 1919	50,000	L. H. Smith	S. W. Smith
Community Bank, Whittier.....	Nov. 25, 1919	125,000	C. C. Barr	F. Pease
First Bank of Lemon Cove.....	Nov. 8, 1919	25,000	C. E. Goodale	G. L. Burham
Inglewood Savings Bank.....	Jan. 26, 1920	25,000	W. G. Brown	A. Bush
Western Savings Bank, Long Beach.	Feb. 13, 1920	100,000	W. Tucker	A. L. Parmley
Bank of Covelo.....	Feb. 21, 1920	25,000	J. S. Rohrbough	J. G. Thomas
Colma State Bank.....	Mar. 15, 1920	75,000	George Lagomarsino	C. Cattori
Farmers & Merchants Bank, Gardena	Apr. 2, 1920	50,000	W. Simpson	J. D. Adams
Asia Banking Corporation, San Francisco	Apr. 20, 1920		Paul Dietrick (Mgr.)	
State Bank of Lomita.....	Apr. 24, 1920	25,000	J. F. Spencer	A. J. Stinton
Home & Hibernian Bank, Los Angeles	May 26, 1920	2,000,000	A. M. Chaffey	T. A. Morrissey
Commercial Bank, Bellflower.....	May 28, 1920	25,000	C. S. Thompson	H. G. Flint
Commercial Bank, Patterson.....	June 10, 1920	75,000	W. W. Cox	E. H. Tienken
Commercial & Savings Bank, Waterford	June 18, 1920	30,000	G. H. Sawyer	R. H. Peck

The Farmers & Merchants Bank of Exeter added a savings department on January 1, 1920, and consolidated with the Pioneer Bank of Porterville to form a new Pioneer Bank of Porterville on April 7, 1922. The latter was sold to the Pacific Southwest Trust & Savings Bank of Los Angeles on December 31, 1923. The Peninsula Bank of Burlingame was sold to the Liberty Bank of San Francisco on October 31, 1925. The Bank of Montreal, a Canadian banking house, which had incorporated under English laws in 1882, obtained a charter for a San Francisco branch during this year. It has remained interested only in commercial

banking. The California Bank of San Mateo County at San Bruno was sold to the Liberty Bank of San Francisco on November 30, 1925. The Standard Bank of Orange County located at Fullerton became the New First National Bank of Fullerton on June 10, 1925. The Community Bank of Whittier was merged with the Pacific Southwest Trust & Savings Bank of Los Angeles on January 2, 1923. The First Bank of Lemon Cove voluntarily liquidated on June 15, 1925. The Inglewood Savings Bank added a commercial department on September 17, 1921, and was purchased by the Pacific Southwest Trust & Savings Bank on April 26, 1926. The Western Savings Bank of Long Beach added a commercial department on January 25, 1922; and a trust department on February 20, 1923. On June 7, 1926, it changed its title to the Western Trust & Savings Bank. The Colma State Bank was sold to the Bank of Italy on June 2, 1923.

The Asia Banking Corporation of New York City, took out a state charter on April 20, 1920, to operate a San Francisco office. It did not open, however, until January 24, 1921. It was an international banking company, chartered under the federal law, and was owned and controlled by the following banks: Guaranty Trust Company, New York; Bankers Trust Company, New York; Mercantile Bank of the Americas, New York; First National Bank, Portland, Oregon; National Bank of Commerce, Seattle; and Anglo & London Paris National Bank, San Francisco. It was incorporated to care for the needs of the latter banks in the Orient, especially in connection with the financing of foreign trade. With the collapse of the post-war boom the Asia Banking Corporation decided to liquidate, which it finally did in 1924, the assets of the San Francisco office being purchased by the local office of the International Banking Corporation on February 13, 1924. The State Bank of Lomita was sold to the California Bank of Los Angeles in January, 1927. Frequent mention has been made of the histories of the various banks of Los Angeles that were finally merged into the Home & Hibernian Bank, which subsequently became the California Bank of Los Angeles in 1920, so it is not necessary in this place to go into those details again. The Commercial Bank of Bellflower became the Commercial National Bank of Bellflower on June 1, 1925.

There was a rather noticeable increase in the number of national banks established in California in 1920, as well as in 1921.

The following were chartered to operate in California during the fiscal year ending October 31, 1920:

Name and Location of Banks	Capital	First President	First Cashier
First National Bank, Pescadero.....	\$ 25,000	J. C. Williamson	G. C. Gianola
First National Bank, Los Altos.....	25,000	R. M. Tooker	W. T. Clements
Farmers & Merchants National Bank, Blythe.....	50,000	R. C. Stevenson	J. B. Neel
Farmers & Merchants National Bank, Mountain View.....	50,000	Wilbur L. Camp	O. W. Whaley
First National Bank, Shafter.....	25,000	W. E. Benz	P. R. Dyck
Fruit Growers National Bank, Watsonville.....	100,000	G. S. Easterday	George M. Habel
First National Bank, Bay Point.....	25,000	L. A. Crowell	C. E. Lawes
First National Bank, Willits.....	50,000	W. T. Saxton	H. B. Ramsey
Growers National Bank, Campbell.....	50,000	B. O. Curry	Lionel T. Lenox
First National Bank, Huntington Park.....	50,000	W. J. Boyle	E. B. Lowe
First National Bank, Salida.....	25,000	T. H. Kewin	A. H. Hansen
First National Bank, Orange Cove.....	25,000	E. M. Sheridan	E. S. Bender
First National Bank, Geyserville.....	25,000	C. B. Shaw	H. E. Black
Bank of Suisun, National Association, Suisun City.....	100,000	R. D. Robbins, Jr.	Paul E. Mertz
First National Bank, Niland.....	25,000	M. H. Sherman	J. H. Wehn
First National Bank, Downey.....	25,000	Arthur L. Darby	C. S. Wilson
First National Bank, Manteca.....	50,000	E. Powers	J. R. Bell
American Marine National Bank, Los Angeles.....	200,000		
First National Bank, Culver City.....	25,000	R. Wankowski	H. R. Whitaker
First National Bank, Centerville.....	100,000	J. G. Mattos, Jr.	F. T. Dusterberry
Farmers & Merchants National Bank, Lompoc.....	25,000		
Farmers & Merchants National Bank, Hayward.....	100,000		
First National Bank, Biola.....	25,000	F. Nelson	H. B. Bier
First National Bank, Indio.....	50,000	C. E. French	J. C. Baird
First National Bank, Earlimart.....	25,000	J. E. Gange	R. W. Hawley
First National Bank, La Habra.....	50,000	W. L. York	James H. Walker
Westwood National Bank, Westwood.....	50,000	W. J. Walker	B. Rodman
First National Bank, El Segundo.....	25,000	J. E. Howell	J. D. D. Gladding
Golden State National Bank, Anaheim.....	75,000	Adolph Thomas	E. E. Smith
American National Bank, Modesto.....	150,000	G. R. Stoddard	J. A. Dunn

The Farmers & Merchants National Bank of Mountain View had previously been the Farmers & Merchants State Bank. The First National Bank of Shafter was purchased by the Bank of Italy on May 3, 1924. The First National Bank of Willits had been the Willits Commercial Bank. The Growers National Bank of Campbell was sold to the Mercantile Trust Company of San Francisco on September 29, 1923. The First National Bank of Huntington Park was absorbed on December 28, 1921, by the Industrial Bank of Vernon, which in its turn was sold on June 30, 1922, to the Hellman Commercial, Trust & Savings Bank of Los Angeles. The First National Bank of Geyserville had been the Bank of Geyserville, and the Bank of Suisun, National Association, had previously been the Bank of Suisun. The First National Bank of Niland took out a state charter on February 1, 1922, as the Farmers Bank of Imperial Valley. The latter voluntarily liquidated on May 12, 1924. The First National Bank of Manteca was a nationalization of the First State Bank of Manteca. It was sold to the Bancitaly Corporation in January, 1927. The American Marine National Bank of Los Angeles was purchased on October 1, 1921, by the Los Angeles Trust & Savings Bank. The First National Bank of Centerville had previously been the

Bank of Centerville. It was sold to the Bank of Italy on September 30, 1921.

The Farmers & Merchants National Bank of Lompoc was a nationalization of the Farmers & Merchants Bank of that city. It consolidated with the First National Bank of Lompoc under the title of the latter on August 5, 1920, and on August 4, 1921, was sold to the Bank of Italy. The Farmers & Merchants National Bank of Hayward was consolidated with the First National Bank of Hayward on August 5, 1920, under the title of the latter, and on September 12, 1921, was purchased by the Bank of Italy. The First National Bank of Biola became a part of the branch banking system of the Valley Bank of Fresno on October 27, 1922. This branch was abandoned when the affairs of the Valley Bank were taken over jointly by the Bank of Italy and the Pacific Southwest Trust & Savings Bank of Los Angeles. The First National Bank of La Habra was a nationalization of the First Bank of La Habra. The Golden State National Bank of Anaheim was the successor of the German-American Bank incorporated on October 30, 1905. Due to the antipathy expressed by the American people toward anything bearing in its title the word "German," the German-American Bank changed its title to the Golden State Bank on August 24, 1918. It was nationalized as the Golden State National Bank on July 27, 1920, and on June 18, 1925, was purchased by the Bank of America of Los Angeles. The American National Bank of Modesto changed its title to the First National Bank *in* Modesto on October 20, 1922.

During the fiscal year of 1921, the superintendent of banks reported a net increase of one state bank and of fourteen branches, making a total of 423 state banks and 193 branches. The number of national banks remained the same, 305, which proved to be the high water mark for national banks in California. Since that time they have steadily decreased in number. During the fiscal year of 1921, eighteen state banks and fourteen national banks were incorporated. Thirty-five new branch offices of state banks were licensed, nine national banks were purchased by state banks, six state banks were nationalized, eleven state banks were sold to other institutions, two state banks consolidated, and sixty-four state banks increased their capital stock. The following state banks were chartered during the year in question:

Name and Location of Banks	Date of Incorporation	Capital	First President	First Cashier
Mercantile Trust Company, San Francisco	July 2, 1920	\$4,000,000	John S. Drum	R. B. Burmister
Growers Bank, San Jose	July 17, 1920	300,000	S. E. Johnson	F. W. Sinclair
Bank of Oakley	Aug. 6, 1920	25,000	J. H. Shaw	P. A. Anderson
Farmers & Merchants Trust Company, Long Beach	Aug. 18, 1920	100,000	C. J. Walker	W. H. Dunn
Citizens Commercial & Savings Bank, La Habra	Sept. 1, 1920	50,000	M. Crowe	H. K. Scott
Growers Security Bank, Delano	Sept. 20, 1920	50,000	F. E. Green	F. A. Ellsworth
Daly City Bank	Oct. 9, 1920	62,500	J. D. Daly	R. C. MacArthur
Farmers State Bank, Tulare	Nov. 10, 1920	75,000	W. D. Cook	R. C. Odell
American Commercial & Savings Bank, Moorpark	Nov. 10, 1920	25,000	J. W. Phelps	W. R. Bell
Coachella Valley State Bank, Thermal	Dec. 11, 1920	25,000	E. E. Black	L. U. Everhart
Hibernia Trust Company, Los Angeles	Dec. 13, 1920	200,000	G. A. Hancock	H. Coffin (Sec.-Treas.)
Farmers & Merchants Bank, Dos Palos	Dec. 24, 1920	50,000	D. A. Leonard	J. E. McClelland
Valley Bank, Fresno	Jan. 5, 1921	625,000	W. D. Mitchell	W. K. Crowell
Citizens State Bank, San Luis Obispo	Jan. 31, 1921	125,000	W. Sandercock	C. L. Smith
Tamalpais Bank, San Rafael	Feb. 16, 1921	200,000	J. C. Raas	P. L. Scheer
Smith River Bank	Mar. 3, 1921	40,000	Henry Westbrook	G. D. Wood
Glendale State Bank	May 14, 1921	100,000	A. R. Eastman	C. D. Lushy
Fort Bragg Commercial Bank	June 7, 1921	75,000	J. Grindle	C. D. Blackledge

The story of the Mercantile Trust Company has previously been presented. The Farmers & Merchants Trust Company of Long Beach was chartered to engage only in trust activities. The Daly City Bank was sold to the Liberty Bank of San Francisco on October 31, 1925. The Liberty Bank also purchased the Farmers State Bank of Tulare, with its branch at Tipton, on September 19, 1925. The Coachella Valley State Bank added a savings department on May 1, 1924. The Hibernia Trust Company of Los Angeles became the California Trust Company on March 17, 1922, and has since engaged solely in the trust business. The story of the Valley Bank of Fresno is a story of great hopes and disappointment. Within a few months after incorporation, its officers started upon a policy of expansion. The First National Bank of Reedley was purchased on October 31, 1921, the Selma National Bank and the Farmers Savings Bank of Selma on February 9, 1922, the First National Bank of Biola on October 27, 1922, the First National Bank of Coalinga on November 6, 1922, the First National Bank of Kerman on October 16, 1922, the First National Bank of Sanger on February 3, 1923, the Bank of Monterey and the Monterey Savings Bank on April 18, 1923, and the Industrial Bank of Fresno on May 22, 1923. The report of the state bank examiners filed with the superintendent of banks on December 4, 1923, disclosed a very serious condition of affairs in the Valley Bank. The latter was notified to pay no further dividends until certain adjustments had been made. Immediately following the serving of this notice, difficulty arose among the directors. A run was started on the bank on January 24, 1924, but was finally checked. At the same time a

silent clearing house run was going on, which compelled the Valley Bank to lose approximately \$700,000 of its aggregate individual deposits.

Various efforts were made to sell the assets of the Valley Bank to prominent institutions in Los Angeles and in San Francisco, but at first without success. Finally the superintendent of banks notified the officers and directors of the Valley Bank that one of two things would have to be done, i. e., the bank would have to be closed, or it would have to be sold to any party or parties desiring to purchase it. Following a series of conferences it was agreed that the Valley Bank should be sold on March 1, 1924, to the Pacific Southwest Trust & Savings Bank acting on behalf of itself and the Bank of Italy. The details of the agreement between the two purchasing banks as to the purchase and distribution of the assets of the Valley Bank are not of interest to us in this connection, nor are we concerned with the controversy waged in the State Courts between certain stockholders of the Valley Bank on the one side and ex-Superintendent of Banks Johnson on the other. The bank was sold on the date mentioned, and its assets and branches were parcelled out between the two purchasing banks.

The Tamalpais Bank of San Rafael and its subsidiary, the Home Savings Bank of San Anselmo, were purchased by the Bancitaly Corporation in January, 1927. The Glendale State Bank was sold to the Security Trust & Savings Bank of Los Angeles on August 19, 1922. The Fort Bragg Commercial Bank was a new corporation formed by the consolidation of the old Fort Bragg Commercial Bank and the Bank of Commerce of Mendocino. It was sold, with its branch at Mendocino, to the Liberty Bank of San Francisco on March 28, 1926.

There was a very decided decrease in the number of national banks incorporated during the fiscal year 1921. The following national institutions were chartered during that period:

Name and Location of Banks	Capital	First President	First Cashier
Citizens National Bank, Rialto.....	\$ 25,000	W. T. Smith	C. M. Huston
American National Bank, Santa Ana.....	200,000	J. Mitchell	J. Bermann
California National Bank, Long Beach.....	200,000	N. McCook	M. A. White
Merchants National Bank, Sacramento.....	200,000	J. H. Stephens	H. H. Robison
Crescent Heights National Bank, Los Angeles.....	25,000	F. C. Hardy	M. C. Taylor
First National Bank, Ripon.....	25,000	C. A. McBrian	T. C. Smethers
First National Bank, Elsinore.....	25,000	R. J. Horton	G. R. Gough
National Bank, Huntington Park.....	70,000	C. A. Larson	C. W. Weiter
Central National Bank, Pasadena.....	100,000	W. H. Magee	L. M. Jones
Commercial National Bank, Alameda.....	100,000	F. C. Delanoy	J. L. Delanoy
Roseville National Bank, Roseville.....	50,000	F. A. Fiddymont	B. W. West
First National Bank, Brea.....	25,000	E. L. Almstead	W. C. Daniel
First National Bank, Lankershim.....	25,000	J. Wilson	J. A. Hinzenga
Railroad National Bank, Roseville.....	50,000	G. W. Peltier	W. H. Arnold

The American National Bank of Santa Ana was purchased by the Bank of Italy on April 22, 1925. The Crescent Heights National Bank of Crescent Heights, a subdivision of Los Angeles, became the West Hollywood National Bank of Crescent Heights on November 20, 1922, and was sold to the Pacific Southwest Trust & Savings Bank on December 18, 1926. The First National Bank of Elsinore had previously been the Consolidated Bank of Elsinore, the National Bank of Huntington Park had been the Bank of Huntington Park, and the Central National Bank of Pasadena had been the Central Bank of Pasadena. The Roseville National Bank became the First National Bank of Roseville on February 8, 1924. The First National Bank of Brea had been the La Habra Valley Bank. The First National Bank of Lankershim was sold on October 25, 1924, to the California Bank of Los Angeles. The Railroad National Bank of Roseville was purchased by the Farmers & Mechanics Bank of Sacramento on December 23, 1924.

The fiscal year 1922 saw a definite turning point in the process of deflation. The price level became more stabilized, interest rates improved, frozen credits were liquidated to a considerable extent, and prosperity once more beamed upon California. Banking resources expanded rapidly, more capital was available for investment, and the established industries received substantial support from the banks of the state. The material development of California was matched by the growth in the number of banking institutions. During 1922 and 1923, more state banks were chartered than during any other similar period. Forty-one state banks were incorporated in 1922, and 61 in 1923. The movement, however, ran its course during those two years, and from that time down to date, the number of banks established each year has greatly decreased. In spite of the large number of state banks chartered during 1922 and 1923, the total number of banks in existence increased only from 423 on June 30, 1921, to 429 on June 30, 1922, and remained at that figure for June 30, 1923. The reason for that unusual result is found in the great growth of the branch banking movement, which resulted in the absorption of many state and national banks. On June 30, 1921, there were only 193 branches in California; a year later, the number had increased to 281, and on June 30, 1923, it had reached the still greater figure of 440. This absorption of independent institu-

tions by the big branch banking systems, consequently, accounted for the slight net increase in the total number of state banks in spite of the large number chartered in 1922 and 1923.

During the fiscal year ending June 30, 1922, seventeen national banks with three branches sold their assets to state banks, two state banks went into the national system, three state banks and nine branches voluntarily closed, eight state banks entered the Federal Reserve System, fourteen state banks and nine branches were purchased by other banks, eight state banks with one branch became extinct by consolidation, three state banks with five branches were merged, one national bank became a state bank, and six state banks changed their titles. All in all a rather eventful year. The following forty-one state banks were incorporated during the fiscal year of 1922:

Name and Location of Bank	Date of Incorporation	Authorized Capital	First President	First Cashier
Home Savings Bank, Eureka.....	July 1, 1921	\$ 200,000	A. E. Connick	H. T. Trollnes
Liberty Bank, San Francisco.....	Aug. 3, 1921	1,000,000	Marshal Hale	F. M. Buckley
Bank of Upper Lake.....	Aug. 4, 1921	25,000	W. O. Edmonds	M. A. Youngreen
First Savings Bank, Glendale.....	Sept. 6, 1921	50,000	W. W. Lee	E. J. Osborn (Treas.)
Bank of Orland.....	Sept. 21, 1921	100,000	G. A. Barceloux	E. M. King
Bank of Van Nuys.....	Sept. 26, 1921	100,000	W. P. Whitsett	H. C. Sorgenfrey
State Bank of Burbank.....	Oct. 7, 1921	50,000	W. J. Riley	C. B. Fitzsimmons
Tujunga Valley Bank, Tujunga.....	Nov. 7, 1921	25,000	E. Kirchner	F. C. Scoville (Sec.-T.)
Seaboard Savings Bank, Wilmington	Nov. 9, 1921	35,000	C. H. Eubank	Paul Eubank
Fairfax Bank.....	Nov. 16, 1921	50,000	M. H. Ballou	E. H. Green
Farmers Bank of Imperial Valley, Niland.....	Nov. 30, 1921	25,000	M. H. Sherman	J. H. Wehn
Southside State Bank, Los Angeles	Dec. 2, 1921	25,000	C. W. Moore	E. Christensen
Lakeside Commercial & Savings Bank	Nov. 25, 1921	25,000	M. L. Ward	F. R. Bickell
Bank of Zelzah.....	Dec. 2, 1921	25,000	E. O. Hanson	C. A. Thompson
Security State Bank, Ontario.....	Dec. 6, 1921	75,000	J. F. Spencer	A. J. Stinton
Highland Avenue Savings Bank, Los Angeles.....	Dec. 22, 1921	25,000	A. S. Burrows	R. B. Spensley
Citizens Bank, Garden Grove.....	Dec. 23, 1921	25,000	F. H. Felberg	R. E. Geren
Golden State Bank, Long Beach.....	Dec. 30, 1921	200,000	E. H. Wallace	H. R. Simonson
Farmers & Merchants State Bank, Chino.....	Dec. 30, 1921	50,000	H. N. Burton	J. S. Brown
State Bank of Venice.....	Jan. 24, 1922	50,000	H. W. Boles	T. T. Snell
Stanislaus County Bank, Modesto...	Jan. 28, 1922			
Bank of Alhambra.....	Feb. 8, 1922	50,000	W. R. Fee	A. B. Perkins
Farmers & Merchants Savings Bank of Redondo, Redondo Beach.....	Feb. 10, 1922	50,000	E. E. Webster	A. E. Cameron
Central Bank of Calaveras, San Andreas.....	Mar. 27, 1922	60,000	C. J. Tiscornia	F. A. Meyer
Pioneer Bank, Porterville.....	Mar. 30, 1922	150,000	Chester Dowell	P. Gafoert
Walnut Park Bank.....	Apr. 12, 1922	25,000	L. D. Henry	Mabel A. Henry
Central Commercial & Savings Bank, Los Angeles.....	Apr. 13, 1922	100,000	G. H. Beesemyer	W. M. Maguire
Hawthorne State Bank.....	Apr. 15, 1922	25,000	E. J. Whitney	R. R. Hopkins
Security State Bank, Turlock.....	Apr. 19, 1922	75,000	J. N. Johnson	J. F. Swenson
Commercial & Savings Bank, Berkeley	Apr. 19, 1922	300,000	W. F. Morrish	W. W. Sorrick
Bank of Lemoore.....	May 2, 1922	25,000	H. C. Lillis	A. D. Campbell (Sec.-T.)
Santa Monica Savings Bank.....	May 2, 1922	50,000	J. H. Bartle	T. Feron
Citizens Bank of Harbor City.....	May 10, 1922	25,000	H. J. Thomas	V. W. Tryon
Sierra Madre Savings Bank.....	May 16, 1922	25,000	H. E. Allen	W. H. Ingraham
West Side State Bank, Los Angeles...	May 18, 1922	25,000	L. W. McAttee	U. S. Frye
American Savings Bank, Long Beach	May 19, 1922	200,000	H. R. Earp	S. N. Smith
Second Ave. State Bank, Los Angeles	May 20, 1922	25,000	E. G. Baldridge	J. C. Pinker
Western State Bank, Los Angeles...	June 13, 1922		J. N. Cassady	B. R. Brundage
Los Angeles Trust & Safe Deposit Co.	June 16, 1922	200,000	H. M. Robinson	J. E. Barber (Sec.)
Security State Bank, South Pasadena	June 22, 1922			
Security State Bank, Glendale.....	June 22, 1922			

The Home Savings Bank of Eureka, which had been incorporated in 1889, consolidated with the First Savings Bank of Eu-

reka, and reincorporated under its original title on July 1, 1921. It was sold to the Liberty Bank of San Francisco on November 30, 1925. The Liberty Bank was organized by the officers and stockholders of the Bank of Italy. It was opened in the quarters previously occupied by the Market Street branch of the Bank of Italy, and provided the first day and night service for depositors in San Francisco, its hours being from 9:00 a. m. to midnight. This bank did not actively enter upon a career of branch banking until during the summer months of 1925. After that date it absorbed a large number of institutions primarily in the northern and central parts of the state. On January 27, 1927, it merged with the Bank of America of Los Angeles, the Commercial National Trust & Savings Bank of Los Angeles and the Southern Trust & Commerce Bank of San Diego, creating the Liberty Bank of America with resources of \$200,000,000, authorized capitalization of \$50,000,000, of which \$15,000,000 was paid in, a surplus fund of \$5,000,000 and a contingent fund of \$2,500,000. The merging of these four branch banking institutions gave the Liberty Bank of America control over 136 branch banks located in cities lying between Eureka on the north and National City on the south, and with hundreds of thousands of depositors. On February 19, 1927, it was merged into and with the Bank of Italy, thereby creating the third largest bank and the largest branch banking system in the United States. Further discussion of the history of this group of banks will appear in Chapter XXV.

The First Savings Bank of Glendale was purchased by the Security Trust & Savings Bank of Los Angeles on August 19, 1922. The Bank of Orland was a new corporation chartered to take over a consolidation of the old Bank of Orland, organized in 1887, and the Orland Savings Bank, incorporated in 1911. The Bank of Van Nuys merged into the Security Trust & Savings Bank of Los Angeles in November, 1926, making the 49th branch and the 50th unit of the latter. The State Bank of Burbank was sold to the Bank of America of Los Angeles on January 4, 1926. The Fairfax Bank was bought by the Liberty Bank on September 5, 1925. The Farmers Bank of Imperial Valley at Niland voluntarily liquidated on May 12, 1924. The Southside State Bank of Los Angeles was sold to the California Bank of that city on February 2, 1925. The Security State Bank of Ontario was

purchased by the Bank of Italy on June 20, 1923. The Highland Avenue Savings Bank of Los Angeles added a commercial department on July 17, 1922, and changed its title to the Hollywood State Bank on February 21, 1923. The Golden State Bank of Long Beach was sold to the Bank of Italy on December 24, 1923, and became one of its numerous branches.

The Farmers & Merchants State Bank of Chino was closed on June 28, 1923, by the state superintendent of banks following a stock swindle involving \$200,000. The State Bank of Venice was purchased by the Bank of Italy on March 26, 1925. The Stanislaus County Bank of Modesto was sold to the American Bank of Oakland on May 13, 1922, and later, through mergers and changes in title of the latter bank became the Modesto branch of the American Trust Company of San Francisco. The Bank of Alhambra was purchased by the California Bank of Los Angeles on September 12, 1925.

The Pioneer Bank of Porterville was incorporated during this year to take over the consolidation of the former Pioneer Bank of Porterville and the Farmers & Merchants Bank of Exeter. The Pioneer Bank of Porterville, with its branch at Exeter, was sold to the Pacific Southwest Trust & Savings Bank on December 31, 1923. The Walnut Park Bank was nationalized as the Walnut Park National Bank on August 12, 1924. The Commercial & Savings Bank of Berkeley, which had taken over the Berkeley branch of the Oakland Bank of Savings, changed its title to the Berkeley Bank on March 5, 1923. The Bank of Lemoore was organized by H. C. Lillis and associates to take the place of the former Bank of Lemoore, incorporated on December 28, 1891, which had been nationalized as the National Bank of Lemoore on March 1, 1922. The Santa Monica Savings Bank, the second institution to bear that title, added a commercial department on October 16, 1922, and was sold to the Security Trust & Savings Bank of Los Angeles on February 3, 1923. The Sierra Madre Savings Bank was purchased by the First National Bank of Sierra Madre on November 4, 1922. The American Savings Bank of Long Beach on December 5, 1923, purchased the Bank of North Long Beach and the Bank of Compton on December 21, 1923. It and its branches were sold to the Bank of Italy on December 24, 1923. The Western State Bank of Los Angeles was merged into the Bank of America of that city on January 31,

1923. The Los Angeles Trust & Safe Deposit Company was, as may be surmised, affiliated with the Los Angeles Trust & Savings Bank, which later became the Pacific Southwest Trust & Savings Bank. It was incorporated to care for the trust and safe deposit business of the clients of the First National Bank of Los Angeles and the Los Angeles Trust & Savings Bank. The Security State Bank of Glendale was on February 17, 1923, merged into the Security Trust & Savings Bank of Los Angeles and the Security State Bank of South Pasadena was also taken over by the same bank on August 19, 1922.

There were only eleven national banks established in California during the fiscal year ending October 31, 1922. They were as follows:

Name and Location of Bank	Authorized Capital	First President	First Cashier
Placerville National Bank, Placerville.....	50,000	A. Anderson	F. V. Bordwell
First National Bank, Monterey Park.....	25,000	H. P. Thayer	R. T. Segner
Citizens National Bank, Lodi.....	200,000	J. B. Cory	F. Spoerke
National Bank of Lemoore.....	100,000	H. C. Lillis	A. D. Campbell
National Bank of Dinuba.....	50,000	C. R. Morton	H. L. Andrews
Paso Robles National Bank, Paso Robles.....	50,000	J. V. Wachtel, Jr.	A. H. Birch
American National Bank, Santa Rosa.....	100,000	L. L. Herrick	J. G. Morrow
First National Bank, Hermosa Beach.....	50,000	R. E. Matteson	G. S. Thatcher
First National Bank, Watts.....	50,000	O. Jensen	H. V. Snodgrass
United States National Bank, Sawtelle.....	50,000	W. A. Reeder	H. W. Johnstone
First National Bank, East San Gabriel.....	50,000	C. C. Threlkeld	J. A. Threlkeld

The Citizens National Bank of Lodi merged into and with the Lodi National Bank on January 1, 1926, the business being continued as the Lodi National Bank. The National Bank of Lemoore, with its branch at Stratford, consolidated on April 26, 1922, with the First National Bank of Lemoore under the title and charter of the latter. The National Bank of Dinuba had previously been the Dinuba Savings Bank. It was absorbed by the First National Bank of Dinuba shortly after incorporation. The American National Bank of Santa Rosa became the First National Bank of Santa Rosa on June 14, 1923. The First National Bank of Watts was forced to close its doors on June 20, 1923, due to irregularities on the part of its president and to real estate speculations. It was subsequently restored to solvency, but liquidated on October 31, 1924.

As has been mentioned above, the fiscal year of 1923 holds the record so far as the number of state bank incorporations is concerned, sixty-one state banks having been chartered during that period. The absorptions of banks by the big branch banking systems went on so rapidly in 1923, that in spite of the large number

of state banks organized, the total number of such institutions (429) remained unchanged, a most surprising result. The number of branches rose from 281 to 440. Since that time the total number of state banks in operation has steadily decreased, while the number of branches has rapidly increased. National banks, which had reached their high peak in numbers in 1920 and 1921 (305 in both years), likewise decreased rapidly from 1922, falling off to 270 in 1923, and to 264 in 1926. The following state banks were incorporated during the year ending June 30, 1923:

Name and Location of Banks	Date of Incorporation	Authorized Capital	First President	First Cashier
State Bank of Manhattan Beach....	July 18, 1922	\$ 34,800	G. H. Kern	J. C. Stockwell
Beverly State Bank, Beverly Hills...	July 28, 1922	37,500	R. F. McClellan	E. F. Consigny
State Exchange Bank, Torrance....	Aug. 8, 1922	50,000	J. B. Hines	R. A. Huber
First Bank of Maywood, Bell.....	Sept. 5, 1922	25,000	G. W. W. Myers	E. A. Moore
Bank of North Long Beach.....	Sept. 6, 1922	50,000	H. E. Mason	E. Mason
State Bank of Brawley.....	Sept. 8, 1922			
State Bank of Calipatria.....	Sept. 8, 1922			
Federal Trust & Savings Bank (Hollywood), Los Angeles.....	Sept. 13, 1922	300,000	C. E. Toberman	J. E. Brewer
Whittier Boulevard State Bank, Los Angeles County	Sept. 23, 1922	25,000	J. C. Lily	A. F. Bartholomew
Bank of Balboa, Newport Beach....	Sept. 27, 1922	50,000	F. R. Aldrich	R. H. Summers
Home Bank, Porterville.....	Sept. 29, 1922	100,000	T. M. Gronen	J. W. Bridge
Bank of Wilmington.....	Oct. 7, 1922	60,000	C. E. Gordon	I. L. Thurman
First Bank of Johannesburg.....	Oct. 9, 1922	25,000	R. T. F. Smith	P. T. Ratcliffe
California State Bank, Seal Beach..	Oct. 9, 1922	25,000	W. D. Miller	J. M. Lyons
Commercial Trust & Savings Bank, Oakland	Oct. 13, 1922	500,000	S. E. Biddle	F. B. Richardson
Home Commerce & Savings Bank, South Pasadena	Oct. 19, 1922	50,000	H. C. Mason	L. A. Norris
Delta Bank, Rio Vista.....	Nov. 1, 1922	50,000	J. M. Henderson, Jr.	J. F. Cook
Community Savings & Commerce Bank, Glendale	Nov. 3, 1922	40,000	W. W. Lee	H. J. Wellman
Southwest State Bank, Los Angeles County	Nov. 8, 1922	100,000	J. L. Knorpp	B. B. Reynolds
State Bank of Taft.....	Nov. 13, 1922	75,000	S. Orloff	D. R. Menefee
Commercial Bank of Pasadena.....	Nov. 16, 1922	100,000	R. R. Craig	W. D. Townsend
Union State Bank, Long Beach....	Nov. 20, 1922	25,000	C. E. Wailes	J. H. Wailes
Belvedere State Bank, Los Angeles County	Nov. 21, 1922	25,000	T. T. Snell	W. T. Potter
First Trust & Savings Bank, San Diego	Nov. 23, 1922	500,000	F. J. Belcher	J. O. Miller
Reseda State Bank.....	Dec. 1, 1922	50,000	J. B. Mayer	W. P. Maeder
Montrose State Bank.....	Dec. 2, 1922	25,000	H. L. Person	A. V. Adkins
York Boulevard State Bank, Los Angeles County	Dec. 6, 1922	50,000	E. T. Grua	H. M. Hanson
Citizens State Bank, Santa Monica..	Dec. 18, 1922	100,000	R. F. McClellan	T. M. Perry
American Savings Bank, Pomona...	Dec. 27, 1922	75,000	F. E. Graham	F. C. Robinson
First State Bank, Sherman.....	Dec. 28, 1922	25,000	O. N. Beasley	L. A. Wilson
West Adams State Bank, Los Angeles County	Dec. 28, 1922	35,000	A. P. Manning	H. M. Buchanan
American Commercial & Savings Bank, Redondo Beach.....	Dec. 29, 1922	100,000	J. B. Ferguson	L. C. Kearney
Arroyo Security State Bank, Los Angeles	Jan. 4, 1923	50,000	J. L. Smith	J. C. Johnson
Bank of Santa Fe Springs.....	Jan. 5, 1923	25,000	E. O. Hanson	O. Sponheim
Security State Bank, Burbank.....	Jan. 12, 1923			
Security State Bank, Montebello....	Jan. 12, 1923			
Bank of America, Los Angeles.....	Jan. 25, 1923	1,000,000	O. E. Monnette	A. W. Frye
First Commercial Bank, Orange.....	Jan. 20, 1923	51,900	B. L. Rees	A. W. Swayze
Community State Bank, Bell.....	Jan. 27, 1923	25,000	F. E. Goodway	H. L. Porter
Commonwealth Trust Company, Los Angeles	Jan. 29, 1923	300,000	J. S. Dodge	H. E. Benedict
Citizens Savings & Commercial Bank, Alhambra	Jan. 31, 1923	50,000	F. T. Olson	S. A. Forman
Norwalk Commercial & Savings Bank	Jan. 31, 1923	50,000	L. A. Lewis	E. E. Shacklett
Bank of Mount Shasta, Sisson.....	Feb. 10, 1923	30,000	J. M. Schuler	G. M. Slocum
Northern San Diego Bank, Escondido	Feb. 19, 1923	100,000	I. E. Leek	F. E. Manning
Berkeley Bank	Feb. 26, 1923	250,000	W. F. Morrish	W. W. Sorrick
Citizens Bank of Laguna Beach.....	Mar. 12, 1923	25,000	L. Springer	R. W. Purpus
Eagle Rock State Bank.....	Mar. 21, 1923	25,500	C. E. Harsh	H. W. Menagh
Huntington Park State Bank.....	Mar. 26, 1923	50,000	Harvey G. Riggs	J. L. Wood
Home State Bank, Huntington Beach	Mar. 27, 1923	50,000	J. J. Conrad	W. R. Sebree

Name and Location of Banks	Date of Incorporation	Authorized Capital	First President	First Cashier
First State Bank, Montebello.....	Mar. 31, 1923	25,000	G. S. Dodge	A. E. Zigler
Bank of Compton.....	April 7, 1923	50,000	C. B. Hendrick	E. M. Hendrick
Lennox State Bank.....	April 19, 1923	50,000	L. O. Calkins	R. M. Stevens
Citizens State Bank, Long Beach...	April 20, 1923	100,000	F. Hoffman	O. R. Clanton
Manchester-Moneta Ave. State Bank, Los Angeles.....	May 4, 1923	25,000	J. C. Smith	W. C. Stove
Santa Monica Blvd. State Bank, Los Angeles County.....	May 8, 1923	25,000	H. F. Stephens	G. E. Fry
Bank of Carmel.....	May 16, 1923	50,000	T. A. Work	B. J. Segal
Monterey Park Commercial & Savings Bank, Monterey Park.....	May 28, 1923	25,000	C. R. Henderson	O. F. Alford
East Pasadena State Bank, Pasadena	May 28, 1923	50,000	F. E. Vanderhoof	R. S. Vanderhoof
Arlington Heights State Bank, Los Angeles.....	June 19, 1923	100,000	G. E. Bowerman	D. H. Bennett
Federal Commercial & Savings Bank, Glendale.....	June 20, 1923	125,000	C. C. Cooper	V. E. White
Bank of East San Diego.....	June 25, 1923	50,000	C. G. Mitchell	E. S. Litchfield

The Beverly State Bank of Beverly Hills was purchased by the Security Trust & Savings Bank of Los Angeles on April 5, 1924. The State Exchange Bank of Torrance was sold to the Bank of America of Los Angeles on May 19, 1925. The Bank of North Long Beach was sold to the American Savings Bank of Long Beach on December 5, 1923. The State Bank of Brawley and the State Bank of Calipatria were merged into the Imperial Valley Bank of Brawley on October 9, 1922, which in its turn was sold to the Pacific Southwest Trust & Savings Bank on December 10, 1923. The Federal Trust & Savings Bank of Hollywood added a trust department on November 2, 1922. The Whittier Boulevard State Bank located near Los Angeles changed its title to the Bank of Commerce on December 15, 1924. The Bank of Wilmington was sold to the Commercial National Bank of Los Angeles on March 10, 1924, which on August 19, 1925, became the Commercial National Trust & Savings Bank. The First Bank of Johannesburg was removed to Randsburg on June 2, 1914, and on September 15th of that year changed its title to the First Bank of Randsburg. It voluntarily liquidated on December 17, 1925. The Commercial Trust & Savings Bank of Oakland became the New First National Bank in Oakland on April 9, 1925, and later dropped the word "New" from its title. The Community Savings & Commercial Bank of Glendale was purchased by the Bank of America of Los Angeles on December 8, 1925.

The Southwest State Bank located on the outskirts of Los Angeles was sold to the Citizens Trust & Savings Bank of Los Angeles on February 2, 1925. The Union State Bank of Long Beach was sold to the Marine Trust & Savings Bank of that city on February 4, 1925. The First Trust & Savings Bank of San

Diego purchased the Citizens Savings Bank of San Diego, the California State Bank of East San Diego, and the Bank of Coronado on December 30, 1922, and the La Jolla branch of the United States National Bank of San Diego on March 15, 1926. The Montrose State Bank was sold to the Glendale Savings Bank in January, 1927, which in its turn was sold to the Pacific Southwest Trust & Savings Bank. The Citizens State Bank of Santa Monica with its branch at Ocean Park was sold to the Bank of America of Los Angeles on January 20, 1926, which a day later also purchased the American Savings Bank of Pomona. The Security State Bank of Burbank and the Security State Bank of Montebello were sold to the Security Trust & Savings Bank of Los Angeles on February 3, 1923.

The Bank of America of Los Angeles, incorporated by Bank of Italy interests, later became very active in purchasing banks and in extending its branch banking business throughout the southern part of the state. It was controlled through a stockholding arrangement by the Americommercial Corporation, which in its turn was controlled by the Bancitaly Corporation of San Francisco. The details of this stockholding arrangement and also of the branch banking system of the Bank of America will be more fully described in Chapter XXV, dealing with the question of branch banking in California. The Bank of America of Los Angeles absorbed the Western State Bank of Los Angeles on January 31, 1923, added a trust department on April 4, 1923, and purchased the Commonwealth Trust Company of Los Angeles on September 28, 1923. It was not until April, 1925, however, that it began to expand its sphere of influence through the purchase of banks located outside of the city limits of Los Angeles. The first bank to be purchased in this connection was the Culver City Commercial & Savings Bank which was obtained on April 11, 1925. A large number of other banks were absorbed after that date. On January 27, 1927, the Bank of America was merged with the Liberty Bank of San Francisco, the Commercial National Trust & Savings Bank of Los Angeles and the Southern Trust & Commerce Bank of San Diego, to form the Liberty Bank of America which in its turn was merged into and with the Bank of Italy on February 19, 1927. Further details regarding those banks will appear in Chapter XXV.

The Community State Bank of Bell was purchased by the California Bank of Los Angeles in January, 1927. The Citizens Savings & Commercial Bank of Alhambra was sold to the American Commercial Corporation of Los Angeles in December, 1926. The Bank of Mt. Shasta, although chartered on February 10, 1923, reincorporated in July, 1923. The city of Sisson subsequently changed its name to Mt. Shasta. The Berkeley Bank was the successor of the Commercial & Savings Bank of Berkeley. The Eagle Rock State Bank and the Monterey Park Commercial & Savings Bank were purchased in the fall of 1926 by the Pacific National Company, a holding company affiliated with the Pacific National Bank of Los Angeles. The Huntington Park State Bank was sold to the Bank of America of Los Angeles on May 13, 1925. Mention has already been made of the fact that the Bank of Compton was sold to the American Savings Bank of Long Beach on December 31, 1923, and that the latter in its turn was sold to the Bank of Italy three days later. The Lennox State Bank of Lennox was sold to the Pacific Southwest Trust & Savings Bank on October 16, 1926. The Santa Monica Boulevard State Bank located outside the city limits of Los Angeles was sold to the Bank of Italy on March 26, 1925. The East Pasadena State Bank became the Pasadena Savings Bank in the fall of 1926. The Arlington Heights State Bank of Los Angeles was purchased by the Security Trust and Savings Bank of Los Angeles on May 24, 1924. The Federal Commercial & Savings Bank of Glendale was sold to the Hellman Commercial, Trust & Savings Bank of Los Angeles on June 1, 1925.

The following fifteen national banks were incorporated in California during the fiscal year ending October 31, 1923:

Name and Location of Bank	Authorized Capital	First President	First Cashier
National Bank, Hermosa Beach.....	\$ 50,000	E. J. Young	J. W. Leech
First National Bank in Hayward.....	50,000	A. S. Weaver	A. A. DeMello
First National Bank in Redlands.....	100,000	A. T. Park	F. N. High
First National Bank in Berkeley.....	250,000	W. F. Morrish	W. W. Sorrick
First National Bank, Bellflower.....	25,000	F. E. Woodruff	R. V. Bashore
First National Bank in Richmond.....	100,000	E. M. Tilden	F. Caudle
First National Bank in Huntington Beach.....	50,000	C. C. Tannehill	J. I. Hinkle
Valley National Bank, Sonoma.....	100,000	F. M. Burris	J. Burris
Citizens National Bank, South San Francisco.....	50,000	G. W. Holston	O. B. Hempstead
Pasadena National Bank, Pasadena.....	100,000	W. F. Knight	S. L. Bierbauer
National City Bank, Los Angeles.....	1,000,000	M. Crowe	L. B. Pollock
First National Bank in Grass Valley.....	50,000	T. Ingram	F. F. Miles
New First National Bank in Burbank.....	50,000	A. Sence	A. G. Graham
First National Bank, Sausalito.....	50,000	H. N. Stetson	W. L. Brown
Pacific National Bank, Los Angeles.....	1,000,000	E. M. Smith	E. B. Murray

It will be noted that a number of the banks in the above list include the word "in" in their title rather than the word "of." For example we have the First National Bank *in* Haywood, the First National Bank *in* Redlands, etc. This was due to the fact that many of the old "First National" banks had been absorbed into various state branch banking systems, and that new banks were established, or old banks changed their titles, so as to obtain the prestige coming from the use of the words "First National Bank." The United States comptroller of the currency would not permit a bank to be organized under any title which had been used by a previously existing national bank. In order to get around that difficulty, however, the parties interested in establishing a "First National Bank" obtained permission to use the word "in" rather than the word "of." This has lead to a considerable confusion in the banking world and to a bitter debate in some quarters regarding the ethics of such a practice. But, inasmuch as it is legal, there appears to be no doubt but that it will be continued until specifically prohibited by law.

There have been but few changes in the title or ownership of the above national banks since incorporation. The Valley National Bank of Sonoma was sold on August 23, 1923, to the Mercantile Trust Company of San Francisco. The Pasadena National Bank was the second to bear that title and was in no manner connected with its predecessor. The National City Bank of Los Angeles has lately become closely affiliated with the California Bank of that city. The New First National Bank *in* Burbank became the First National Bank *in* Burbank on September 29, 1925. The First National Bank of Sausalito was sold to the Bancitaly Corporation in January, 1927.

There was a very considerable falling off in the number of state banks established after the close of the fiscal year 1923. During 1924, only thirteen state banks, and during 1925, only eight state banks, were incorporated. This noticeable decrease was undoubtedly due to the fact that a large number of institutions, which entered the field in 1922 and 1923, had more than adequately met the need for banking facilities in all parts of the state. During the fiscal year ending June 30, 1924, the following state banks were chartered:

Name and Location of Bank	Date of Incorporation	Authorized Capital	First President	First Cashier
Bank of San Fernando.....	July 13, 1923	\$ 50,000	F. B. Roberts	O. A. Carlson
Arcadia Savings Bank.....	July 16, 1923	25,000	C. L. Dunham	G. L. Hamilton
The American Bank, San Francisco..	Aug. 15, 1923	2,750,000	P. E. Bowles	G. M. Bowles
Bank of Sacramento.....	Sept. 8, 1923	100,000	J. F. Elliot	H. F. Faust
General Motors Acceptance Corporation, Los Angeles.....	Oct. 15, 1923			
Wells Fargo Bank & Union Trust Co., San Francisco	Dec. 15, 1923	9,000,000	F. L. Lipman	F. I. Raymond
Baldwin Park Savings Bank.....	Jan. 9, 1924	25,000	C. H. Bank	C. Mayland
First State Bank, San Juan Capistrano	Feb. 9, 1924	25,000	F. F. Rogers	J. G. Cash
Producers Bank of Sutter County, Yuba City	Mar. 8, 1924	50,000	Alvin Weis	T. P. Coats, Jr.
Northeast Bank of Los Angeles.....	Mar. 12, 1924	50,000	W. R. Fee	J. E. Metheny
West Hollywood Savings Bank of Crescent Heights, Los Angeles....	Mar. 24, 1924	50,000	F. C. Hardy	C. T. Johnson
Security State Bank, Monrovia.....	April 1, 1924			
Peoples Bank & Trust Co., Los Angeles	April 24, 1924	500,000	W. F. McCaleb	A. W. Frye

The Arcadia Savings Bank was sold to the Bank of Italy on March 26, 1925. The American Bank of San Francisco had previously been the American National Bank, whose history has been given in earlier pages. Shortly after becoming a state bank, it purchased the Security Bank & Trust Company of San Francisco (September 8, 1923). Inasmuch as the same interests controlled the American Bank of San Francisco, the American Bank of Oakland with its branches, and the First National Bank of Oakland, it was deemed advisable to merge all of those institutions into one branch banking system under the title of the American Bank with head offices in San Francisco. This was finally accomplished on October 14, 1924. The American Bank purchased the Bank of Alameda and its branch on January 30, 1926, and consolidated with the Mercantile Trust Company of San Francisco and its branch banking system on January 3, 1927, under the title of the American Trust Company. The latter institution, at the time of the merger, was the third largest bank in California with assets in excess of \$261,000,000 and with eighty-two branches located primarily in the central part of the state.

The General Motors Acceptance Corporation during this year opened an office in Los Angeles, the second in the state, to engage primarily in making loans and discounting paper arising out of the sale of automobiles manufactured by the General Motors Corporation. The details of the merger of the Wells Fargo Bank & Union Trust Company have previously appeared in these pages. In this place it is only necessary to add that the headquarters previously occupied by the Wells Fargo Nevada National Bank

became the main office, and the Union Trust Company office was continued as a branch. The Northeast Bank of Los Angeles was sold to the California Bank of that city on September 12, 1925. The West Hollywood Savings Bank of Crescent Heights in Los Angeles changed its title to the Bank of West Hollywood on April 30, 1926, and on May 10, 1926, added a commercial department. The Security State Bank of Monrovia was merged into the Security Trust & Savings Bank of Los Angeles on April 26, 1924, scarcely a month after its incorporation. The Peoples Bank & Trust Company of Los Angeles, which was established by the labor unions of Los Angeles, became the Peoples National Bank of Los Angeles on June 6, 1925. A discussion of the activities of this labor bank, together with the story of the other labor banks in California, will be more fully presented in Chapter XXIII.

Only six national banks were chartered during the fiscal year ending October 31, 1924. They were as follows:

Name and Location of Banks	Authorized Capital	First President	First Cashier
National Bank of Martinez.....	\$ 50,000	R. B. Borland	A. J. Heald
Seaboard National Bank, Los Angeles.....	1,000,000	G. L. Browning	G. W. Jorres
Walnut Park National Bank, Walnut Park.....	50,000		
Wilshire National Bank, Los Angeles.....	200,000	L. E. Harbach	R. L. Heustia
Pacific National Bank, San Francisco.....	1,000,000	E. W. Wilson	H. R. Gaither
First National Bank in Kerman.....	25,000	J. T. Johnson	W. Richards

The Walnut Park National Bank had previously been the Walnut Park Bank. So far as is known there have been no changes in the titles or ownership of the above banks.

The number of state banks chartered during the fiscal year of 1925 was the smallest in many years, only eight having been incorporated during that period. They were as follows:

Name and Location of Banks	Date of Incorporation	Authorized Capital	First President	First Cashier
Sumitomo Bank, Ltd., Los Angeles..	Oct. 20, 1924	\$ 300,000	S. Satoh (Mgr.)	
The Bank of Canton, Ltd., San Francisco	Oct. 11, 1924	300,000	A. G. Wong (Mgr.)	
First Savings Bank, Colton.....	Oct. 18, 1924	25,000	D. T. Garrett	W. T. Garrett
Beverly Hills Savings Bank, Beverly Hills	Dec. 1, 1924	50,000	O. N. Beasley	G. J. Brooks (Secy.)
First Exchange State Bank, Lawndale	Jan. 7, 1925	50,000	E. A. French	A. J. McIver
The Sumitomo Bank of California, Sacramento	Mar. 3, 1925	100,000	K. Sumitomo	S. Tsuji
Security Savings Bank, Visalia.....	Mar. 5, 1925	50,000	H. B. McClure	L. L. Welch
Bank of Solana Beach.....	April 25, 1925	30,000	Ed Fletcher	V. E. Bodien

During 1924-1925 the Sumitomo Bank, Ltd., owned and controlled by interests in Japan, established two branches in California, in addition to that already existing in San Francisco. The

branch in Los Angeles was licensed and opened on October 20, 1924. The branch in Sacramento was incorporated on March 3, 1925, and took over the assets of the insolvent Nippon Bank. The latter was subsequently able to pay the depositors of the Nippon Bank in full.

Nineteen national banks were chartered during the fiscal year ending October 31, 1925. The increase was due to the fact that a large number of national banks had previously been absorbed by the various state branch banking systems, thereby creating a shortage of national banks, and providing an opportunity for the further incorporation of that type of banking institution. The following national banks were chartered during the fiscal year in question:

Name and Location of Banks	Capital	First President	First Cashier
Florence National Bank, Florence.....	\$ 50,000	J. S. A. Smith	G. E. Davis
First National Bank in San Rafael.....	100,000	M. J. Pedrotti	W. P. Murray
Beverly National Bank, Beverly Hills.....	100,000	T. T. Snell	F. N. Bull
New First National Bank in Oakland.....	500,000	S. E. Biddle	F. B. Richardson
Graham National Bank, Graham.....	50,000	A. Ott	J. V. Hogan
New First National Bank in Visalia.....	100,000	A. W. Quinn	L. L. Welch
Citizens National Bank, Claremont.....	50,000	M. Abernethy	H. T. Belcher
National Bank of Commerce in Pasadena.....	200,000	H. G. Riggs	G. A. Middleton
Commercial National Bank, Bellflower.....	25,000	C. S. Thompson	C. H. Connett
Peoples National Bank, Los Angeles.....	500,000	C. J. Shepherd	O. O. Moreland
New First National Bank, Fullerton.....	100,000	S. W. Smith	A. A. McCormick
Temple National Bank, Temple.....	25,000	G. Robins	A. P. Manning
American National Bank, Santa Monica.....	100,000	N. S. Gandy	E. S. Welch
First National Bank in South Pasadena.....	100,000	F. H. Hale	O. R. Clanton
San Leandro National Bank.....	100,000	W. J. Gannon	L. H. Martin
National Bank of Hollywood in Los Angeles.....	200,000	F. C. Hardy	H. J. Ernster
South Gate National Bank, South Gate.....	50,000	F. E. Stewart	A. F. Ullrich
Seaside National Bank, Long Beach.....	300,000		
First National Bank, Atascadero.....	25,000		

The First National Bank *in* San Rafael was a nationalization of the commercial department of the Bank of San Rafael. The New First National Bank *in* Oakland had been the Commercial Trust & Savings Bank of that city. The National Bank of Commerce *in* Pasadena organized during this year must not be confused with the earlier National Bank of Commerce of that city. The only difference in title between the two institutions was the use of the word "in" by the bank organized in 1925. It was sold to the Americommercial Corporation of Los Angeles in 1926, and became part of the branch banking system of the Bank of America. The Commercial National Bank of Bellflower had been the Commercial Bank of that city. The Peoples National Bank of Los Angeles was a nationalization of the Peoples Bank & Trust Company, a labor bank. The New First National Bank of Fullerton had been the Standard Bank of Orange County, and the First National Bank *in* South Pasadena had been the Home Commercial & Savings Bank of that city. On January 17, 1927, the National

Bank of Hollywood became the Hollywood National Bank in Los Angeles.

From July 1, 1925, to January 1, 1927, the following state banks were organized:

Name and Location of Bank	Date of Incorporation	Capital	First President	First Cashier
Metropolitan Trust Co. of California, Los Angeles	Sept. 8, 1925	\$ 448,500	A. H. Braly	F. S. Hollister, Secy.
Home Savings & Commercial Bank, San Anselmo	Nov. 7, 1925	50,000	H. S. Foote	W. E. Eastman
Pioneer Title Insurance Co., San Bernardino	Dec. 11, 1925	200,000	J. L. Mack	W. N. Glascock, Secy.
Crocker-First Federal Trust Co., San Francisco	Dec. 14, 1925	1,500,000	W. M. Crocker	M. R. Clark
San Carlos Bank, San Carlos	Jan. 25, 1926	50,000	C. N. MacMahon	N. A. Egilbert
Border Bank, San Ysidro	Feb. 11, 1926		F. R. Bickell	H. W. Sperback
Southern Title Guaranty Co., San Diego	April 23, 1926	210,000	A. P. Johnson, Jr.	R. S. Reed
Security State Bank, Compton	April 26, 1926			
Liberty Bank, Beverly Hills		185,000	R. L. Hargraves	W. G. Walby
Citizens Bank, Monrovia	May 20, 1926	100,000	T. C. Rogers	C. H. Banks
Elsinore State Bank, Elsinore		50,000	F. M. McBurney	R. E. Horton
Oceanside Commercial & Savings Bank		50,000		
Title Insurance & Guaranty Co., San Francisco		250,000		
Bank of Inglewood		100,000	S. M. Greene	R. F. Lamb
Pan-American Bank of California, Los Angeles		2,000,000	F. W. Smith	J. H. Logan
Bank of Beverly Hills		50,000		
Los Angeles Investment Trust Co. ..				
German-American Savings Bank, Los Angeles		500,000	E. Kirchner	R. F. Guedemann, Jr.

The Home Savings & Commercial Bank of San Anselmo was purchased by the Bancitaly Corporation in January, 1927, and on February 10, 1927, was transferred by the latter to the Liberty Bank of America. The Southern Title Guaranty Company of San Diego changed its title to the Southern Title & Trust Company on January 11, 1926. The Security State Bank of Compton was absorbed by the Security Trust & Savings Bank of Los Angeles on May 8, 1926. The Oceanside Commercial & Savings Bank was taken over by the Liberty Bank of America on February 10, 1927. The Title Insurance & Guaranty Company of San Francisco was authorized to engage only in trust company business. The German-American Savings Bank was incorporated to operate solely as a savings institution, the only one of its kind in Los Angeles. It was the first German-American financial institution to be chartered by the State Banking Department after the World War, and was organized for the purpose of furnishing banking facilities to the German speaking population of Los Angeles and vicinity. Its officers included several prominent German-Americans.

During the period October 31, 1925, to January 1, 1927, the following national banks were organized and opened for business in California:

Name and Location of Bank	Capital	First President	First Cashier
Oilfields National Bank, Brea.....	\$ 50,000	A. H. Brown	W. C. Walker
Temple National Bank, Temple.....		George Robbins	C. L. Dunham
Citizens National Bank, Monrovia.....	100,000	T. C. Rogers	
Santa Barbara National Bank.....			
Union National Bank, Fortuna.....	200,000	W. H. Duval	S. R. Belford
First National Bank, Fontana.....	50,000	H. S. Barber	H. F. Vierick
Compton National Bank.....	100,000	W. H. Barnard	R. McGovney
Altadena National Bank.....	50,000	W. F. Biedebach	C. K. Newhall
Commercial National Bank, Santa Maria.....	100,000	A. B. Gigler	L. R. Peck
East Bay National Bank, Oakland.....	1,000,000	O. Cox	H. B. Smith
City National Bank, Huntington Park.....	100,000		
Liberty National Bank, Beverly Hills.....		R. L. Hargraves	W. G. Walby
First National Bank <i>in</i> Merced.....	100,000	W. J. George	J. M. Anderson
First National Bank <i>in</i> Escondido.....	50,000	I. E. Leck	J. J. Rutherford
First National Bank, Verdugo.....	50,000	H. N. Fowler	J. Brombacher
Commercial National Bank, Berkeley.....	250,000	H. B. Smith	E. S. Bender
City National Bank of Huntington Park.....			
New First National Bank <i>in</i> Santa Paula.....	200,000	M. L. Steckel	W. R. Bell
American National Bank, Glendale.....	200,000	R. L. Kent	O. C. Johnson

As the Santa Barbara National Bank was being organized, and before it was opened for business, it was purchased by the Bank of America of Los Angeles. Three national banks in the above list were purchased by the Liberty Bank of America. They were the Commercial National Bank of Berkeley, the New First National Bank *in* Santa Paula, and the Commercial National Bank of Santa Maria.

A number of applications for charters were also made to the State and National banking offices during the last few months of 1926. They were as follows: Monterey Bank at Monterey with a capital of \$100,000; Inglewood Commercial Bank at Inglewood, with a capital of \$100,000; Commercial & Savings Bank in San Bernardino, with a capital of \$100,000; Washington Street Bank of Oakland, with a capital of \$400,000; Commercial & Savings Bank of Beverly Hills, with a capital of \$50,000; Savings Bank *in* Vernon, with a capital of \$25,000; Fortuna State Bank, with a capital of \$50,000; Mar Vista State Bank at Los Angeles, with a capital of \$50,000; Commercial & Savings Bank at San Diego, with a capital of \$500,000; First National Bank of Burlingame, with a capital of \$100,000; and Metropolitan National Trust & Savings Bank of Beverly Hills, with a capital of \$100,000.

Thus endeth the chronological story of banking in California, from the days of the Mission Fathers to the present (January, 1927). It is doubtful whether or not any other state in the Union can present such a colorful and romantic history of its financial institutions.

The succeeding chapters will be devoted to a detailed discussion of some of the topics which have been mentioned in preceding pages.

CHAPTER XVIII

MONEY RATES IN CALIFORNIA

Until comparatively recent years, California has occupied an unique position in the matter of money rates. Not only was it the custom until about 1871 to quote interest rates on a monthly basis, but it was also the practice to charge much higher rates than those prevailing in other sections of the United States. With the discovery of gold and the influx of treasure seekers, buildings had to be erected, stocks of supplies purchased, streets built, stage lines projected, and all sorts of business activities carried on in the new territory. The amount of loanable funds available did not begin to meet the demand. Merchants, traders, speculators, miners, farmers and others had to resort to bankers and private money lenders, who would part with their capital only on the most exorbitant terms.

There were various reasons for the high interest rates which characterized the early money market of California, especially during the first decade following the gold rush. Not the least important of these was the unsettled, unstable character of the population. Very few of those who came into the State prior to the '70s, appeared to be willing to settle permanently in any community. The miners themselves rushed hither and thither in search of gold. The landscape was dotted with "ghost cities," important today and abandoned tomorrow. Merchants and professional men "tried their hand" first in one town and then in another. Stores were opened and small industries established by novices on the thin shoestring of "hope," and most frequently with no reasonable prospects of success. Added to these great risks was the fact that all of the newcomers were strangers to each other. Their past reputation and their actual credit standing were unknown. Snap judgments had to be made as to the reliability of the borrower. Peter H. Burnett, one of the prominent bankers of San Francisco during the '60s and '70s, declared as late as 1879 that,

"In no city on earth is it so difficult to ascertain the true financial condition of men as in San Francisco. With all due care, the average losses of a bank in this city, taking a series of ten years together, will run from two to four per cent per annum upon the amount loaned. Nothing but the current high rate of interest enabled us to make a decent profit."

During the first fifteen years following the discovery of gold, practically all banks in the state were conducted by individuals who had had little or no previous banking experience. They looked upon their banking houses as affording a means of "getting rich quick" and enabling them to return to their former homes in the East or Middle West with an abundance of wealth. Consequently, they did not scruple to charge as high an interest rate as the market would pay. As for the private money lenders, they disliked to tie up their funds for any great length of time, because they did not know what wonderful opportunities for becoming wealthy might be offered them on the morrow. In San Francisco, the peculiar practice, followed down to the early '70s, of lending money from "steamer day" to "steamer day," provided the group of private bankers with an excellent means of plying their trade. In 1863, John S. Hittell, who knew California intimately in its formative period, described this situation in the following words:

"Steamer-day is the business-day which precedes the sailing of the steamer for Panama, which steamer always carries away a shipment of about a million dollars. As the steamer starts early in the morning, all the business in arranging the shipments must be done on the previous day, and then importers must send their money to the eastern houses from which they obtain their supplies, and they must then dun their customers, the jobbers; and the jobbers must dun their customers, the retailers; and the retailers must dun everybody. So steamer-day is a great day for the payment of money, and as everybody expects to get his money on steamer-day, so he borrows promising to pay then. There are men who make it a business to lend money from steamer-day to steamer-day, a period of ten or fourteen days, the rate for that period being from one to two per cent., almost invariably with 'collateral security' of merchandise, which is on deposit in a warehouse, and is transferred by warehouse receipt to the money lender."¹

¹ Resources of California, San Francisco, 1863, p. 336.

Another very important matter, which must not be overlooked in explaining this unique situation of a community producing an unprecedented amount of gold and yet charging such unheard-of interest rates, is the fact that at first there was no satisfactory sort of security upon which money could be loaned. There were no government or railroad bonds, no stocks or bonds of industrial enterprises, no settled real estate values. The boom towns, including San Francisco, were for the most part cities of flimsy wooden and canvas structures, swept by ever-recurring fires, which destroyed the buildings mortgaged as security for loans. Then too, for many years, the titles to city and country lands were seriously clouded, thus affording banks and money lenders the opportunity of charging high rates for loans made thereon.

Californians have always been known as the most persistent and the rashest of speculators, wagering their accumulations on the possible developments of the future. It is doubtful if there has ever been any city in the United States which has experienced so many waves of the wildest sorts of speculation as has San Francisco, first in real estate, then in water ditches, later in mining stocks, and last of all in oil stocks. Naturally, speculation was carried on primarily by means of borrowed funds, and with the demand outrunning the supply, high interest rates resulted. Californians have also usually lived "a little better" than the people in other parts of the country. They have ordinarily spent more freely and have borrowed more commonly, and in proportion to their incomes have saved less, although their savings per capita have been equal to or in excess of the per capita savings in eastern communities. John S. Hittell, a close observer of early conditions and practices, stated as late as 1863 that,

"Nearly everybody borrows and returns money in California. It is no disgrace to lend money for high interest, nor is it ever considered bad management for a merchant to borrow and pay high interest rates, that is, if the amount be small or the term brief. But as a general rule, the merchants of California borrow altogether too much money."

When San Francisco was still the sleepy little Spanish settlement known as Yerba Buena, there was of course no need for money lenders or bankers. But when the great rush of gold seekers appeared, and the town awakened to find its name on the

lips of all nations, funds in large and small amounts were in great demand. During 1848, 1849, and 1850, it was not uncommon for money to be loaned at from 10 to 15 per cent per month. In fact, instances are recorded where as high as 20 per cent per month was willingly paid in 1848 and 1849 by the needy borrower. One author tells of a San Franciscan who sold a lot, receiving therefor one-half the price in cash and a mortgage for the remainder. Upon taking the mortgage to a bank and asking it to buy the same, he was advised that the bank expected to make more than 120 per cent on the transaction through the practice of collecting interest at the end of each month.² It is not surprising, therefore, that according to tradition, D. O. Mills always preferred to date the establishment of his bank from the year 1850, because he felt "that the bankers of 1849 were nothing more than robbers."³

During the first decade of commercial activity, a number of interesting cases involving interest payments came before the local courts. In 1850, John W. Geary, one of the first mayors of San Francisco, loaned \$62,000 to B. Simmons, a local merchant, at 5 per cent per month. The note was not paid, and in September, 1869, Geary sued the estate of the borrower and obtained a judgment for principal plus interest which aggregated \$765,000. On May 17, 1856, the District Court of Nevada County, in the case of Rhodes *et al.* vs. Raymond *et al.*, handed down a decision involving the payment of three notes bearing interest at the rate of 10 per cent per month. The loan had been made in 1851. The principal was between \$7,000 and \$8,000. The interest allowed by the court totaled over \$42,000. On January 21, 1858, the Fourth District Court of California, in the case of George H. Donahue vs. James Thornton, returned judgment compelling the defendant to pay \$4,526.68 interest on a \$700 note given in 1853, and bearing interest at the rate of 10 per cent per month.

This state of affairs, typified by the above court decisions, led the local newspapers to carry quips and jokes similar to the following:

"Money lender—You want a hundred dollars? Here is the

² John S. Hittell, *Commerce and Industries of the Pacific Coast*, San Francisco, 1882, p. 126.

³ Information supplied by A. S. May, Asst. Cashier, National Bank of D. O. Mills & Company.

money. I charge five per cent a month, and if you want it for a year that leaves just forty dollars coming to you.

"Borrower—Then if I want it for two years, there will be something coming to you."⁴

But actually, there was no more complaint against the high interest rates in those days than there is against 6 or 7 per cent today.

In 1851, money rates eased up slightly, and funds could be obtained for about 6 per cent per month. In the latter part of January, there was some agitation concerning the advisability of enacting a usury law, and many loans were subsequently called in for fear of possible developments. During March, money was easily obtainable at 5 per cent per month, although in April and May the market tightened considerably and the rate rose to 8 and 10 per cent per month. Even on the most approved securities, bankers demanded 7 or 8 per cent per month. In June and July, however, the market again softened and the rate dropped to about 4 per cent per month. During the remainder of the year, it fluctuated between $3\frac{1}{2}$ and $4\frac{1}{2}$ per cent per month. In 1852, the rate varied between 3 and 4 per cent per month, although occasionally it rose to 5 or 6 per cent and even to 10 per cent, but the higher rate prevailed only under the most unusual conditions. On some types of security, loans could be obtained for as low as 2 per cent per month. At the opening of 1853, 5 and 6 per cent again became the rule, although during the remainder of the year the rate was fairly well maintained between 3 and 4 per cent per month.

During 1854-55, the rates fluctuated considerably owing to the uncertain business conditions which prevailed. In February, 1854, call loans ranged from 3 to $4\frac{1}{2}$ per cent per month; 90 day loans on real estate brought 3 per cent. In March and April, the money market sagged somewhat, and loans on real estate could be obtained for as low as $2\frac{1}{2}$ per cent per month. During the latter part of the year, however, owing to the dullness of trade, the dry season, and the inability of miners to make payments, interest rates rose, not because of the scarcity of money, but because the holders thereof were extremely averse to making even small loans to applicants. They refused to touch anything of a

⁴ *Alta California*, March 2, 1858.

speculative character and required more than adequate security. Good paper with prime endorsers was handled at about 5 per cent per month, and there were many instances where from 7 to 10 per cent per month was demanded and paid on paper of a very satisfactory character.

Beginning in 1856, however, the rates again eased up and money was available at from $1\frac{1}{2}$ to 2 per cent per month on real estate, 3 to 4 per cent on perishable merchandise, and $2\frac{1}{2}$ per cent on short term bank loans. These rates continued throughout 1857 and 1858, although the temporary suspension of Sather & Church in November, 1857, and the closing of the United States Mint for repairs, created a money shortage in San Francisco. There was also some doubt regarding how far California might be affected by the commercial and financial depression in the eastern states, so that it was a little more difficult than usual to obtain loans on the best of securities even at slightly higher rates. The decade closed with rates fluctuating between $1\frac{1}{2}$ and 2 per cent per month, although the newspapers of the times carried some items which listed funds at as low as 1 per cent per month.

During the next ten years, rates for loans on real estate varied from $1\frac{1}{4}$ to 2 per cent per month. This practice of loaning money at a monthly rate persisted until 1871. The outstanding cause for the noticeable decline in money rates during the '60s, is explained in the following comment, appearing in the *Alta California* of December 13, 1867:

"The increase of capital on this coast is very rapid, and the fact is more distinctly realized if we look back ten years and consider the number of capitalists who were then lenders, and the rates obtained for money as compared with what exists now. There was then little or no competition, and the rate of banking profit was very large. Year by year the volume of local capital has increased, and notwithstanding the great necessity there is for the employment of capital for reproductive purposes, the supply has outrun the demand, principally from the want of a free supply of labor to employ capital effectively. The great natural wealth of the country has steadily increased notwithstanding the drawback of an occasional drought, and capital has come in for employment from the outside until competition has cut down the profits to very low rates. Almost monthly there is an increase in the volume of money employed at steadily decreasing rates. The force of circumstances has embodied a good deal of this local capital in the Bank of California which, with its \$5,000,000 still

accumulating, has given a stability and breadth to California credit not previously admitted. The result is greatly extending markets and more easy manipulation at lower cost for the products of the State. These in their turn swell the volume of capital seeking employment."

The completion of the transcontinental railroad in 1869 also exerted a powerful influence in the reduction of interest rates. It marked the end of the pioneer days and destroyed frontier conditions. It made the money markets of California more easily available to eastern competitors by shortening the time distance from other financial centers, with the result that more and more eastern capital found its way into the state.

From about 1870 to 1877, money upon real estate mortgages could be obtained at from 10 to 12 per cent per year. This reduction had been caused primarily by the action of the Hibernia Savings & Loan Society in dropping its rate to 10 per cent per year, forcing other banks to do likewise. In 1877, owing to the prevailing business depression, "money from savings banks" went "begging at 7 per cent per annum on approved real estate security."⁵ In 1879, this type of loan commanded 9 per cent, but by 1883 it again fell off to 7 per cent. The rates for commercial loans likewise declined with the passage of years and with the ease of shifting money from one part of the country to the other. At the present time interest rates in San Francisco are closely in line with those prevailing in other sections of the United States.

Money rates at all other points in California were consistently higher than those in San Francisco. Harris Newmark, in his *Sixty Years in Southern California*, gives us some interesting commentaries upon conditions as he saw them during the early days in Los Angeles. He assures us that the southern part of the state had its usurers from the very first, and that their tax was often ruinously exorbitant. It was nothing unusual for the money lenders to demand from 2 to 12½ per cent a week. Newmark tells us of an incident, which came to his attention, where a ruinous rate of 12½ per cent a week was charged to a farmer who had borrowed \$200 and who had given as security a mortgage on his estate of several thousand acres. When the principal and interest amounted to \$22,000, the lender foreclosed and thus

⁵ *Alta California*, September 26, 1877.

obtained possession of a magnificent property. With the passing of time, money rates declined considerably. Even before 1853, they had dropped to as low as 2 per cent per month. He tells of George Hansen, to whom Los Angeles is indebted for the Elysian Park, arriving in Los Angeles in 1853, and borrowing \$200 at 2 per cent per month from John Temple, so that he might purchase some surveying instruments. When gold was discovered in Kern County in the latter part of 1854, and Southern California experienced a rush comparable in some ways to the northern rush in 1848-49, there was a great demand for funds by prospectors who needed assistance. For a short time, interest rates varied from 10 to 12 per cent a month. Even 15 per cent per month was charged for small sums and was willingly paid by those who were determined to make their fortunes in the southern gold fields.

Newmark tells us that in November or December, 1858, "Dr. John S. Griffin acquired San Pasqual Rancho, the fine property which had once been the pride of Don Manuel Garfias. The latter had borrowed three thousand dollars, at *four per cent* per month, to complete his manorial residence, which cost some six thousand dollars to build; but the ranch proving unfavorable for cattle, and Don Manuel being a poor manager, the debt of three thousand dollars soon grew into almost treble the original amount. When Griffin purchased the place, he gave Garfias an additional two thousand dollars to cover the stock, horses and ranch-tools; but even at that the Doctor drove a decided bargain."⁶ With the improvement in transportation facilities between Los Angeles and San Francisco, the two cities came closer to each other financially, and this brought money rates to approximately the same levels.

As the late beloved James K. Lynch, one time governor of the San Francisco Federal Reserve Bank, said in 1916:

"There are still frontier communities in California up in the mountains, out in the desert mining camps, where frontier conditions prevail and where frontier rates are charged, and if such rates were not charged, the banks would be very short lived."⁷

In spite of the exorbitant rates, which were demanded by the early money lenders of California, it is interesting to note that

⁶ P. 237.

⁷ *Coast Banker*, May, 1916, p. 397.

no serious efforts were made to enact a usury law. In fact, the first State Legislature passed a bill, signed by the governor on March 13, 1850, fixing the legal rate of interest at 10 per cent per year in the absence of a contract. Any rate of interest, however, was legal if both parties agreed thereto, and no penalty was attached if more than the legal 10 per cent were charged. The parties to a money transaction could agree in writing that if the interest on the debt were not paid punctually it should become part of the principal and thereafter bear the same rate of interest as did the principal. The maximum rate to be charged in the absence of a contract was reduced to 7 per cent in 1878. Peter H. Burnett, first governor of California, in his message to the second Legislature (1851) stated, however, that he believed in usury laws. He was of the opinion that,

“The idea that competition among lenders would reduce the rate of interest to a fair and just standard, such as the legitimate profits of business would justify, seems to be delusive.”

On the other hand, Governor John B. Weller, in one of his special messages to the Legislature in 1858, went on record as being opposed to usury laws of any kind. He said,

“As a general principle I have thought that freemen are quite as competent to agree on the amount that should be paid for the use of money as for any other property real or personal. Besides, where usury laws prevail all sorts of devices are resorted to in order to evade them and I doubt very much whether they are strictly observed in any state. We want no laws upon our statute book which cannot be enforced. Whilst, therefore, I am not prepared to recommend such laws, I am satisfied that the public good demands that a law should be passed allowing only the legal rate of interest of ten per cent on judgments.”

From time to time, there were various bills introduced into the Legislature calling for the enactment of a usury law. In fact, as the *Alta California* of May 27, 1866, declared, “Our Legislature is bothered at nearly every session by somebody who demands the adoption of a usury law.” But the Californians and their Legislature refused to sanction any attempt to place limitations on moneyed transactions. They felt, as the *Alta California* of the above date maintained, that,

“It is impossible to frame a usury law that cannot be evaded. The law may forbid a man to give his note for more than a certain rate of interest, but it cannot prevent him from selling his own

note or the note of another for less than its face. The restriction is a reward to rascality, a bother to honest men, and an obstacle to national growth. * * * We consider it a matter of congratulation that California was the first State to adopt the doctrines taught by Bentham, Brougham and John Stuart Mill on the question of interest."

Other newspapers of the state took occasion at various times to comment in the same vein. As the years passed, however, the opinions of the people changed, and on November 5, 1918, the voters adopted an initiative measure which provided a maximum of 12 per cent per year for loan contracts, and of 7 per cent per year in the absence of a contract.

CHAPTER XIX

SAVINGS BANKS IN CALIFORNIA

Californians have consistently been accused of being a most extravagant people, spending a large share of their income for luxuries and for many of the so-called less necessary comforts of life. When, however, one inquires into the facts and makes a study of the situation, a most surprising condition is revealed. Although wages and salaries are high in California, and although a very high plane of living is enjoyed by its citizens, nevertheless the extent of savings deposits held by the banks of the state has always been and continues to be one of the most surprising features of our financial life. On June 30, 1925, California ranked eighth in per capita savings and tenth in the number of savings depositors, and for the fiscal year ending on that date, the state ranked fourth in the gain in savings per capita.

The first statute enacted by the California Legislature authorizing the incorporation of savings banks was signed by the Governor on April 11, 1862. Before that date, banks organized either as private or state chartered institutions had been carrying on their business under the terms of the general corporation law. It is not possible to say with any degree of accuracy how many of the institutions organized before 1862 were concerned wholly or in part with the accumulation of savings accounts, but it appears that a large number were so engaged. On January 1, 1860, there were three *bona fide* savings banks with total deposits of approximately \$60,000. Seven years later, there were six savings banks operating in California, but reports are available from only four of them. These reports showed total deposits of \$10,358,888. Although the Savings Bank Law of 1862 did not require the publication of reports, nevertheless the savings banks soon found it necessary to publish statements of their condition so as to retain the confidence of the public. By July 1, 1870, the number of savings banks had increased to 17 with total deposits of \$36,555,909. When the first report of the State Bank Com-

missioners was published, 28 savings banks were listed as in operation on December 31, 1877, with total deposits of \$75,341,700. Fifty-two commercial banks and four branches of foreign banks had deposits of only \$22,367,800. When the bank commissioners filed their report for June 30, 1880, it was disclosed that 8 savings banks had retired and that savings deposits had decreased to \$47,719,829. This decrease was due in part to the hard times existing during the later '70s and to the closing of several banks by the bank commissioners. Ten years later the number of savings banks had increased to 37, and deposits had risen to \$98,442,007. The period of the '90s shows a gradual increase in the number of savings banks, so that by June 30, 1900, there were 53 in operation, 44 of which were in the interior cities. These 53 savings banks held deposits of \$153,167,461. During the fiscal year 1902-03 there appeared to be an awakened interest in the organization of savings banks, 7 being chartered during that year. For the year ending November 17, 1904, 21 were chartered, many of which were incorporated during the interregnum period of 1903 while the Bank Commissioners Act was suspended, but a number never began operations. During the fiscal years of 1905, 1906, and 1907, 25, 16 and 20 savings banks were respectively chartered, making a total of 82 charters issued during a period of four years. On October 1, 1908, the date of the last report of the bank commissioners, 134 savings banks were listed as being in operation on July 15 of that year, and as holding \$246,102,659 in deposits. Twelve of that number were in San Francisco, 14 in Los Angeles, 6 in Oakland, and 102 in the cities of the interior.

With the passage of the Bank Act of 1909, the distinction which had previously been made between a savings and a commercial bank was eliminated. A few banks continued to engage solely in the savings bank business, but many savings banks added commercial and trust departments. On June 30, 1910, the state superintendent of banks reported savings deposits aggregating \$331,615,814, almost three times the amount of the state's commercial bank deposits. On June 30, 1920, savings deposits credited to individuals totaled \$858,122,150, an increase of \$155,587,370 over 1919. At that time there were 1,429,395 depositors. By June 30, 1926, the savings deposits credited to individuals had increased to \$1,447,836,964, and the number of savings depositors

had increased to 2,546,060. At that time, the banks held individual commercial deposits amounting to \$646,139,649, belonging to 1,234,451 depositors.

The parent of all *bona fide* savings banks in California was the San Francisco Accumulating Fund Association, incorporated under the ordinary corporation laws of the State on June 22, 1854. It was established as a building and loan society, and its founders did not plan to keep it alive except for a few years. In the latter months of 1856, however, several members of the association thought it might be possible to turn the company into a legal savings bank, and consequently after some discussion with their colleagues, were able to bring about the incorporation of the Savings & Loan Society on July 23, 1857. The first quarters of this pioneer savings bank were in an up-stairs room on Washington Street. In its first report, the society "stated with much satisfaction" that the deposits for the first half year amounted to \$20,148. Dividends were declared at the rate of 1½ per cent per month. The second savings bank to be organized was the Hibernia Savings & Loan Society of San Francisco, incorporated under the general corporation law on April 12, 1859. In five years, it became the leading savings bank of San Francisco, and has remained one of the most outstanding savings banks in the state.

San Francisco had a very large population of French and Italian citizens even in those early days, and about nine months after the organization of the Hibernia Savings & Loan Society, some of the French population of San Francisco organized the "Société Française d'Épargnes et de Prévoyance Mutuelle" (the French Savings & Loan Society). The fourth company to be started, in part a savings bank, was the California Building, Loan & Savings Society, incorporated May 31, 1861. Out of these four early savings institutions, but one, the Hibernia Savings & Loan Society, is still in existence. The Savings & Loan Society was merged in 1910 with the San Francisco Savings Union, the French Savings & Loan Society was wrecked by its manager and closed by the Bank Commissioners in 1878, and the California Building, Loan & Savings Society was also wrecked by its manager.

On April 11, 1862, the Governor of the State of California signed the first savings bank statute, which was designated as "An Act to provide for the formation of Corporations for the Accumulation and Investment of Funds and Savings." In brief,

this statute provided that five or more persons could incorporate for the purpose of conducting a savings bank business. A savings bank was prohibited from loaning money on real estate and personal property without adequate security, but in 1864 that provision was changed so as to allow any bank with a capitalization or reserve fund or both of \$300,000 to make loans without such security being required. Both stock and mutual banks were authorized to be chartered. Directors of stock savings banks had to be stockholders, while in mutual banks they had to be depositors to an amount of at least \$100. Dividends could not be declared except from surplus profits. In the case of mutual banks, 5 per cent of the net profits had to be set aside annually to build up a reserve fund. Minors and married women were permitted to open individual deposits, and married women were authorized to vote in person or by proxy. No provisions were made for the publication of any reports, or for examination by any public official.

The first savings bank to be chartered under this law was the San Francisco Savings Union, incorporated June 18, 1862. It announced that it would receive ordinary deposits in sums as low as \$1, but that no account would be held in excess of \$6,000. Term deposits were to be received in sums of not less than \$100, on condition that six months' notice of demand should be given prior to the withdrawal of such term accounts. John Archbald was the first cashier of the San Francisco Savings Union; James de Fremercy was the first president. In 1910, the San Francisco Savings Union and the Savings & Loan Society consolidated as the Savings Union Bank of San Francisco. Shortly thereafter the title was changed to the Savings Union Bank & Trust Company. In 1920, the latter was merged with the Mercantile Trust Company of California, which in its turn merged with the American Bank of San Francisco in January, 1927, to form the American Trust Company.

On June 23, 1866, the *Alta California* stated that the five savings organizations, then in existence, had 24,550 depositors and total deposits of \$8,650,000. It also declared that there were more depositors than voters in San Francisco. Many of the former resided in the country and in the interior towns, and deposited with the San Francisco institutions because of the absence of savings banks in the interior. During the closing years of the

'60s, a number of savings institutions were formed in San Francisco. The Odd Fellows Savings Bank was incorporated on October 13, 1866, the Farmers & Mechanics Bank of Savings on June 20, 1867, the City Bank of Savings, Loan & Discount on October 14, 1867, and the German Savings & Loan Society on March 7, 1868. During 1869, the Cosmopolitan Savings Bank, the Dime Savings Bank, the Masonic Savings & Loan Bank, the Humboldt Savings & Loan Society, and the Pioneer Bank of Savings & Deposit were all organized.

The first savings bank to be formed in the interior of the state, the Sacramento Savings Bank, was incorporated on March 19, 1867. This was followed by the Stockton Savings & Loan Society on August 12, 1867, the Oakland Bank of Savings on August 13, 1867, the San Jose Savings Bank on January 30, 1868, the Marysville Savings Bank on April 8, 1869, and the Union Savings Bank of Oakland on May 26, 1869. From 1870 to 1880, the number of savings banks, both in San Francisco and in the interior of the state, increased very slowly. Between 1878 and 1884, three of the savings banks in the interior suspended, two went into liquidation, and four abandoned their savings departments. It is interesting to note that there was no incorporated savings bank in any part of the state south of Santa Cruz before April, 1884. During the latter month, the Los Angeles Savings Bank was incorporated by I. W. Hellman and his associates, with a capital of \$100,000. The details of the history of the individual savings banks of California have been given in previous pages, and need not be repeated in this place.

On January 1, 1873, reports from the San Francisco savings banks showed an average deposit of \$922 in gold, which at that time was much greater than in other parts of the United States, the average for Rhode Island being \$402.55 in greenbacks. In June, 1878, there were 12 savings banks in San Francisco and 17 in the interior of the state. The average deposit was \$858 in gold for the San Francisco banks and \$833 in gold for the interior banks.

The early California savings banks had several peculiar characteristics not found at the present time. They classified deposits into what were called "ordinary" and "term" deposits. An ordinary savings deposit was one payable upon demand or, in times of stress, upon notice of from 3 to 60 days, depending upon the

amount withdrawn and also upon the provisions of the by-laws of the savings bank. A term deposit was one left with a bank for not less than six months, during which time it could not be withdrawn. The rate of interest paid upon term deposits ranged from 20 to 50 per cent higher than upon ordinary deposits. Down into the '70s, the rate paid on term deposits ranged from 9 to 12 per cent, while the rate for ordinary deposits ranged from 6 to 10 per cent. Another interesting characteristic of those early savings banks was the requirement imposed by mutual savings banks of an entrance fee of \$2 from each depositor, which was credited to the sinking or guarantee fund, corresponding to the present surplus account. Charges were also made by mutual banks for pass-books, and at times assessments were levied upon semi-annual dividends, the income from both sources being used to increase the sinking fund of the mutual savings banks. The California Trust Company, organized in 1868, announced that it would pay the following rates of interest on deposits: 5 per cent payable on call, 6 per cent payable after 5 days notice, 7 per cent after 6 months, and 8 per cent payable one year after date.

California has always been justly proud of its savings institutions, and has, especially since 1909, attempted to guard against the possibilities of failure. This it has done primarily by carefully restricting the character of the investments of its savings banks. The original savings act of 1862 prohibited the purchase of any bonds except those of the United States government. By the law of 1864, it was provided that banks with \$300,000 capital or capital and surplus could invest in any bonds, securities, or evidences of indebtedness. The Bank Act of 1909, however, which was passed directly as the result of the failure of the California Safe Deposit and Trust Company, restricted very narrowly the character of the investments that could be made by savings banks. Loans on real estate were permitted for an amount not to exceed 60 per cent of its value. Savings banks could also lend on bonds, stock, or other personal property to a certain percentage of the value of the collateral, depending upon the class to which the collateral belonged. In 1911, irrigation bonds and certain types of collateral trust bonds were added to the list, and in 1915, commercial paper was included. In 1917, California was the first state to permit savings banks to invest in bankers' acceptances, the limit being 10 per cent of the deposit liabilities. In 1919, the

limit was raised to 20 per cent. Because of post war conditions, the bonds of certain foreign countries were also made available for investment. All bonds in which savings banks desire to invest must be formally approved by the superintendent of banks. As a result of these and other rigid requirements, Californians feel safe in depositing their funds with the savings banks of the state. Since 1909, no savings depositor has lost one cent of his deposits through the failure of any state bank.

CHAPTER XX

TRUST COMPANIES IN CALIFORNIA

One of the most interesting and significant developments in recent banking history has been the rapid growth in the number and influence of trust companies. Beginning in 1822 as an adjunct to the insurance business, trust company activities attained to but slight importance prior to 1899. From that year down to date, trust companies have increased rapidly, both in number and in the amount and kinds of business transacted.

In some states, trust companies are permitted to engage only in trust functions. In other states, savings and commercial banking may be carried on in conjunction with trust company activities. It was not until the Federal Reserve Law was passed in 1913 that national banks were allowed to engage in any phase of trust company business.

The first recorded instance of the incorporation of a trust company is that of the Farmers Fire Insurance Loan & Trust Company, chartered by the Legislature of the State of New York on February 28, 1822, and authorized to execute any and all trust or trusts in its corporate capacity as any trustee or trustees could lawfully do in connection with property matters. In addition to acting as a trust company, it was authorized to engage in the fire insurance business and to purchase and hold corporation stock or foreign debt. It could not, however, engage in banking activities. In 1836, it changed its title to the Farmers Loan & Trust Company, and the fire insurance business was abandoned. This early organization is still a thriving institution. The Pennsylvania Company For Insurance on Lives and Granting Annuities, although chartered in 1812, did not begin to act in a trust company capacity until about 1836, although by some authors it is listed as being the first trust company incorporated in the United States. The first firm chartered to engage exclusively in a trust company business was organized in 1853. About a hundred such organizations were in existence in 1888, and about 1,100 in 1909. At present, it is estimated that there are more

than 3,000 trust companies or banks having trust departments in the United States. In 1926, the 2,684 trust companies and banks operating trust departments, which were listed by the United States Mortgage & Trust Company of New York in its volume on "Trust Companies," reported a total capital of \$1,087,-415,548.19, total deposits and due banks and bankers of \$15,982,-226,331.57, and total resources of \$19,335,270,133.56. It should be noted that these data are for the total business of those institutions and not for their trust business alone.

The causes of the growth of the trust company are to be found in the accumulation of individual wealth, the increase in the number of individuals and families possessed of large estates, the growth of corporate business, and the increased complexity of our economic organization. Another very real cause is that the public has been educated to appreciate the fact that a trust company can perform practically any type of financial operation. Not only is the average trust company authorized to act as executor or administrator of an estate, but as a rule it may also act as an assignee, receiver, guardian of an estate, custodian or depository, fiscal agent, registrar and transfer agent, syndicate manager, and as an agent for individuals or corporations in the collection of rents, payments of taxes and assessments, etc. Some trust companies are also banks of deposit and discount; others carry on a savings bank business; some are safe deposit companies; while others combine all of the above mentioned functions. A few of the larger trust companies act as fiscal agents for corporations, as registrars, transfer agents, intermediaries in the reorganization of corporations, promoters, and underwriters, while some write title or fidelity insurance. Many, however, devote themselves solely to the care of estates and to performing services as administrators, guardians, conservators, etc.

During the first two decades of California's history following the discovery of gold, there apparently was but little if any need for the organization of firms authorized to carry on trust functions. Any business of that character was cared for either by individuals or by private bankers. It was not until 1868 that the first trust company was organized in this state. On December 4 of that year, it was announced that the California Trust Company of San Francisco was to be formed with a capital stock of \$1,000,000. Its purposes were to

“* * * safely and profitably loan and invest its capital and assets; to receive money from corporations, trustees, agents and individuals on deposit, for such time and at such rates of interest as may be agreed upon; to receive on special deposit, bullion, jewelry, plate, stocks, legal papers, and valuable articles, and charge for the safe keeping of the same; to act as agents for governments, corporations, foreign capitalists, and individuals, in the investment of funds, purchase and sale of real estate, stocks and other securities, the collection and payment of notes, drafts, interest, dividends, rents, and other claims; and in the care of property, to act as trustee, by its officers, for corporations, absentees, married women, minor heirs and individuals, in holding real and personal estate; in mortgages, trust deeds, wills and other annuities, and for other purposes to act as receiver, by its officers, in cases of litigation, of money paid into court, of assets belonging to estates, and of funds waiting disposition; and to transact any business that may properly be done by a loan, trust, safe deposit, financial agency or banking company.”

The first officers of the California Trust Company were Henry L. Davis, president, DeWitt C. Thompson, cashier, and Thomas B. Ludlum, auditor. This company was incorporated in January, 1868, with an announced capital stock of \$1,000,000, only \$12,500 of which had been paid in at the time it opened its doors. Within a year, however, that amount had been increased to \$250,000, and was later increased to \$500,000. It proved to be a fairly successful venture as is shown by the fact that beginning in January, 1869, it paid dividends at the rate of $1\frac{1}{4}$ per cent per month. In May, 1872, it entered the national banking system as the National Gold Bank & Trust Company of San Francisco, and as a consequence was forced to give up its trust functions. From 1870 to 1875, it paid dividends at the rate of 1 per cent per month. The National Gold Bank & Trust Company closed its doors temporarily in August, 1875, following the failure of the Bank of California. It resumed operations in June, 1876, but had difficulty in regaining the confidence of the public. On September 1, 1879, its stockholders voted to liquidate its affairs, all claims subsequently being paid in full.

The second banking institution to be incorporated with the word “trust” in its title was the Union Trust Company of San Francisco, chartered some time during the summer months of 1881. It did not prove to be a success, and closed its doors within a year’s time. It was not connected in any manner with the sec-

ond Union Trust Company, established in 1893 by I. W. Hellman, Sr., and his associates.

The California Safe Deposit & Trust Company of San Francisco was incorporated on April 24, 1882, and began business on November 27 of that year. J. D. Fry was president, and C. R. Thompson was treasurer. At the time of its first report to the bank commissioners in January, 1883, it had a paid-up capital stock of \$800,000. It is said to have grown out of the remnants of the Pioneer Bank of Savings & Deposit (Duncan's Bank) which Duncan had wrecked and those of the Safe Deposit Company of San Francisco, both of which have been previously mentioned. The California Safe Deposit & Trust Company operated successfully for a number of years. However, it fell under the control of Dalzell Brown and his associates, who soon became interested in many speculative development ventures, which caused the funds of the company to be dissipated. Securities held in trust were stolen, entries on the bank's books were falsified, and by 1905, the affairs of the institution had been placed in a very critical condition. Disclosures came in rapid succession following the earthquake of 1906, the bank commissioners closing the doors of the firm on October 30, 1907. A receiver was appointed on January 20, 1908. At least forty allied and subsidiary corporations were more or less seriously affected by the failure. It has been estimated that in the United States the total losses to date, due to failures of trust companies and banks operating trust departments, amount to about \$4,400,000, and that 80 per cent of that sum was due to the failure of the California Safe Deposit & Trust Company. Only an insignificant portion of the \$4,400,000, however, was due to losses on the trust business of the failed concerns.

The Pacific Trust Company of Stockton was chartered on August 20, 1883, with B. F. Langford, president, and M. D. Baker, cashier. It was the fourth firm incorporated with the word "trust" in its title. It started out with high aspirations, being capitalized at \$500,000, which was really a large sum considering the size of Stockton and the needs of the surrounding community at that date. At the time of its first report to the bank commissioners on July 1, 1884, it had but \$81,150 of its capital stock paid in. It voluntarily liquidated, November 1, 1884. The California Title Insurance & Trust Company of San Francisco

was incorporated on February 19, 1886, and made its first report to the bank commissioners in 1892. At the later date it had a paid-up capital stock of \$250,000. Its officers were George T. Marye, Jr., president, and H. W. Lawrie, secretary. It undoubtedly ceased performing trust company functions shortly after 1900, because it made no further reports to the bank commissioners after that date. The American Bank & Trust Company of San Francisco was chartered on December 8, 1887, with John R. Sims, president, and J. J. Fagan, cashier. It was capitalized at \$500,000, but only \$6,600 of that amount was paid in at the time it made its first report to the bank commissioners on January 1, 1888. This institution, so far as I have been able to ascertain, did not carry on any trust activities. It was purchased by P. E. Bowles and Francis Cutting, and on September 17, 1902, became the American National Bank, later the American Bank with a Central California branch banking system, and was finally merged in January, 1927, with the Mercantile Trust Company of San Francisco to form the American Trust Company.

The California Bank & Trust Company of Oakland was another of those concerns that did not engage in the trust company business, although its title might lead one to believe that it did so. It was incorporated on August 1, 1887, with A. C. Henry, president, and F. H. Brooks, cashier. It had a capital stock of \$100,000, two-thirds of which was paid in. Some time during 1894-95 it became the California Bank of Oakland. It was closed by the bank commissioners on January 7, 1908. The German Trust Company of San Francisco, which was incorporated about 1900 with a capital stock of \$1,000,000, was the outgrowth of the California Mortgage & Savings Bank of San Luis Obispo, incorporated, October 4, 1890. M. R. Venable was president, and Henry Brunner was cashier. It proved to be very successful as a business venture in San Luis Obispo, but Brunner, being ambitious and energetic, deemed it advisable to seek a larger field for its activities, and consequently removed its offices to San Francisco some time during 1896-97. The name was changed to the German Trust Company about three years later, but the older German Savings & Loan Society objected to the use of a name so similar to its own. As a consequence the title of the former was changed to the Germania Trust Company. In 1903, it was divided into two parts, one of which became the Central Trust Company of

California, incorporated January 29, 1903, with F. J. Symes, president, and H. Brunner, cashier, while the other became the Germania National Bank chartered January 16, 1903, with W. A. Frederick, president, and J. Kronenberg, cashier. The Central Trust Company of California was capitalized at \$3,000,000, one-half of which was paid up. It built up a most successful business and established a branch office in San Francisco. It was absorbed by the Anglo-California Trust Company on February 3, 1911.

The State Loan & Trust Company of Los Angeles was chartered on January 28, 1889, with Major G. H. Bonebrake, president, and S. B. Hunt, cashier. It was capitalized at \$1,000,000, but only \$192,291 was paid in at the time it opened its doors. It was affiliated with the Los Angeles National Bank, likewise controlled by Major Bonebrake. In 1899, it changed its title to the State Bank & Trust Company. In 1908, it was absorbed by the Central Trust Company, which was merged with the Dollar Savings Bank & Trust Company to form the Park Bank, the latter being purchased by the Bank of Italy on May 1, 1913. The Security Savings Bank & Trust Company of Los Angeles was incorporated on January 11, 1889, with F. N. Myers, president, and J. F. Sartori, cashier. It was capitalized at \$200,000, about one-third of which was paid in. It was interested in conducting a savings business, and consequently some time during 1895-96 changed its title to the Security Savings Bank. It was not until 1912 that it added a trust department, and six days later officially changed its name to the Security Trust & Savings Bank. Since that time, its trust business has grown steadily. On June 30, 1926, it had segregated \$500,000 of its capital for its court trust business and one-half that amount for its private trust business. Its total court trust liabilities on that date amounted to \$27,692,991, which placed it third in importance among the trust companies of California.

The Main Street Savings Bank & Trust Company of Los Angeles was incorporated on October 28, 1889, with a capital of \$200,000, a little less than one-fourth of that sum being paid in. J. B. Lankershim was president, and A. F. W. DeVan was cashier. It did not transact any trust business. It was purchased by the Security Savings Bank in 1894. The Orange County Savings Loan & Trust Company of Santa Ana was incorporated on April 8, 1889, with C. R. Smith, president, and C. F. Mansur, cashier.

It was capitalized at \$100,000, with about one-fourth of that amount paid in. Some time during 1892-93, it changed its title to the Orange County Savings Bank. On April 3, 1912, it added a trust department, and three days later changed its title to the Orange County Savings & Trust Company. It did not actively engage in carrying on trust functions until after April, 1912. On June 30, 1926, it had segregated \$100,000 of its capital for the use of its trust department, and on that date had a total of \$292,-286 court trusts.

The last state bank bearing in its title the word "trust," organized before the enactment of the trust company law of 1891, was the Riverside Savings Bank & Trust Company chartered September 10, 1890. It had an authorized capital stock of \$100,000, but only \$15,000 was paid in. A. P. Johnson was president, and C. H. Scott, secretary. Inasmuch as it did no trust company business, it deemed it advisable to change its title to the Riverside Savings Bank, which it did on June 15, 1914.

Up to 1891, there had been no legislation of any sort enacted by the State of California relative to the exercising of trust functions by corporations chartered under the laws of the State. In spite of the use of the word "trust" in the titles of the above mentioned banking houses, it appears safe to say that none up to that time had been actively engaged in that phase of banking with the exception possibly of the California Title Insurance & Trust Company. It is not known whence came the inspiration for the enactment of the first trust company law signed by the governor on April 6, 1891. It was at best a crude statute. It authorized "certain corporations to act as executor and in other capacities, and to provide for and to regulate the administration of trusts by such corporations." Corporations chartered under the general laws of the state could be authorized by their Articles of Incorporation to act as executor, administrator, guardian, assignee, receiver, depository or trustee in like manner as individuals. They had to have a paid-up capital of not less than \$250,000, of which \$100,000 had to be actually paid in cash. Such corporations could qualify by having their president, secretary or manager take the necessary oath, but the party so doing was to be held liable for the failure of the corporation to perform any of the duties required by law to be performed by individuals acting in similar capacities.

Trust companies were to serve as guardians of estates only and not of persons. Their fees were to be the same as those paid to individuals for similar services. The Court could order deposits made with trust companies, but such deposits could be paid out only upon the order of the Court. Public administrators were likewise permitted to deposit funds with trust companies, but such funds could not be withdrawn except with the consent of the Court. Section 4 of the law provided that if in any case the Court found that the bond required of an executor, administrator, guardian, assignee, receiver, depository, or trustee were excessive, it could order such officer or trustee to deposit with any trust company for safe keeping any or all of the personal assets of the estate in question which the Court might deem proper, and thereupon reduce the bond to an amount sufficient to cover the estate remaining in the hands of the officer or trustee in question. The trust company was then to hold such property under the order and direction of the Court. Likewise the Court could order a public administrator to deposit any or all of the moneys of an estate not required for current expenses with such trust companies. Section 5 of the law required that a trust company should be held responsible for all investments which it made out of the funds entrusted to it by the Court to the same extent that natural persons would be held under similar circumstances. A trust company was prohibited from having on deposit at any time an amount of such funds in excess of ten times its paid-up capital stock and surplus, and all outstanding loans could not at any time exceed that amount. Trust companies were also required to pay interest upon any moneys held by them under the terms of the act at a rate agreed upon or provided for by an order of the Court.

When such corporations accepted appointment by the Court or accepted any deposits they were required to deposit, with the treasurer of the State, bonds of the United States, State bonds and municipal bonds of California, or mortgages on improved and productive real estate in California to the extent of \$200,000. Such bonds were to be registered in the name of the treasurer of the State, and all securities were to be subject to sale and transfer by him only on the order of the Court. Any trust company having a paid-up capital of more than \$250,000 might be permitted by the board of bank commissioners to mortgage any improved

real estate owned by it to the treasurer of the State, which mortgage could be deposited with him as part and parcel of the required securities. The board of bank commissioners was authorized to compel trust companies, when their loans exceeded ten times the amount of the deposits required, to increase their deposit of securities to the sum of \$500,000. The commissioners were likewise given the privilege of reducing the amount of such deposits to the sum of \$200,000 when the value of personal property in cash held by such corporation was reduced below ten times the value of its original deposit of securities. Bonds and mortgages deposited by trust companies had to be accompanied by full abstracts of title and searches, and such abstracts were to be examined and approved at the direction of the board of bank commissioners.

The fees for an examination of the title by the counselor of the board of bank commissioners could not exceed \$20 for each mortgage, while the fees for each appraiser, not exceeding two, besides additional expenses, could not exceed \$5 for each mortgage. In both cases, the fees were to be paid by the trust company. Trust companies were not allowed to accept any trust or deposit of funds without first obtaining a certificate of authority from the board of bank commissioners. They were required to file a report with the bank commissioners showing the condition of their business on the 31st day of December and the 30th day of June. The law also required that a list and a brief disclosure of the trusts held had to be filed with the commissioners, together with a statement of the sources of the appointment and the amount of real and personal estate held by such corporations under a trust arrangement. These semi-annual statements had to be verified by two of the directors or trustees and by one of the managing officers. False swearing was deemed to be perjury and was subject to punishment prescribed by law for such an offense. The bank commissioners were authorized to visit and examine all trust companies and also to obtain any necessary information from such organizations. The commissioners were empowered to administer oaths and to examine witnesses in connection with any examinations made by them. If the bank commissioners felt that there was any question regarding the solvency or safety of any trust company, they were authorized to communicate the facts to the attorney-general, who was required to

institute proceedings against the corporation as the nature of the case required. If at any time the bank commissioners were satisfied that the reports from a trust company had been falsified, they were authorized to revoke the certificate of authority which had been granted to it. The law also permitted any corporation engaged in the trust company business to retire therefrom by furnishing satisfactory evidence of its release and discharge from all obligations and trusts provided for in the law. When the bank commissioners had received such satisfactory evidence, they were authorized to revoke the certificate of authority and the treasurer of the State was to return to the trust company all of its securities. The above act was amended in 1897, 1903, 1905, and 1907, and was superseded by the Bank Act of 1909, which in its turn has been amended in some particular by every succeeding Legislature.

Although the State Legislature of 1891 had provided a trust company law, the bankers and the capitalists of the state were slow in availing themselves of its provisions. The California Title Insurance & Trust Company of San Francisco was the first to file its report with the bank commissioners, which it did in January, 1892. Its statement is not presented in such a manner as to disclose to what extent it was engaged in carrying on any trust company functions. The California Safe Deposit & Trust Company made no report as a trust company until 1895, which leads one to believe that up to that time it had not been engaged in that kind of activity. Up to the close of the Nineteenth Century, only two other companies were organized under the terms of the law of 1891. These were the Union Trust Company of San Francisco, incorporated, February 6, 1893, and the Mercantile Trust Company of San Francisco, incorporated, April 18, 1899. The Union Trust Company was capitalized at \$1,250,000, of which \$575,000 was paid in. I. W. Hellman, Sr., was president, and S. P. Young, cashier. It remained one of the outstanding trust companies of the state for many years, and was finally merged with the Wells Fargo Nevada National Bank on December 31, 1923, the resulting institution being known as the Wells Fargo Bank & Union Trust Company. The Mercantile Trust Company had as its officers, F. W. Zeile, president, and J. E. McKee, cashier. It was capitalized at \$1,000,000, one-half of which was paid in. It was intended that this company should confine its

activities to the trust field, but gradually banking functions were taken on, with the result that by the close of its second year the Mercantile Trust Company held deposits in excess of \$2,000,000. In 1910, its stockholders organized the Mercantile National Bank and transferred to it the commercial banking business of the Mercantile Trust Company. In 1920, however, these two banks were merged as the Mercantile Trust Company. The details of the history of this prominent Central California branch banking institution have been given in earlier pages and need not again be recited. After a most profitable and successful career, it was finally merged with the American Bank of San Francisco on January 3, 1927, under the title of the American Trust Company. Another one of the companies having in its title the word "trust" was the Pacific Loan & Trust Company of San Diego affiliated with the Consolidated National Bank of that city. It was not engaged in trust activities, but was a real estate loan company. It was forced into bankruptcy by the failure of the Consolidated National Bank in 1893.

Only four reports of the trust accounts of corporations authorized to do a trust company business are available for the years that elapsed between the enactment of the first trust company law and the passage of the Bank Act of 1909. The first report of trust accounts was made on January 1, 1895, and the last for July 2, 1900. No reports are available for 1897 and 1898, because no detailed reports of the bank commissioners were published in those two years. For some reason the bank commissioners likewise did not call for a report of trust accounts from California banking institutions after 1900. The following table gives all the available data for the years in question.

	TRUST ACCOUNTS			
	Jan. 1, 1895	July 1, 1896	July 1, 1899	July 2, 1900
California Safe Deposit & Trust Co., San Francisco	\$3,858,304.03	\$5,468,555.02	\$5,221,567.37	\$4,885,156.33
California Title Insurance & Trust Co., San Francisco		195,213.46	14,714.92	68,788.20
Union Trust Co., San Francisco.....	1,520,604.02	3,421,933.69	4,609,090.12	7,155,482.56
		(\$1,573,583.00 under wills)	(\$1,858,921.12 under wills)	
Mercantile Trust Co., San Francisco.				292,271.16

In 1897, the law of 1891 was amended so as to allow trust companies to deposit bonds of any county or city or school district in California. In 1903, a new section was added to the original act of 1891, requiring trust companies to keep inviolate any and all information regarding the existence, condition, management or administration of any trusts over which they had control.

No creditor or stockholder of any trust company was entitled to demand the disclosure of any such information, only the president, manager and secretary being permitted to have access to the confidential communications of the organization. The Court, however, could in case of a suit require the disclosure of such confidential information. In 1905, the law was amended to limit the use of the word "trust." The amendment required that any corporation, which used the word "trust" in its title, was subject to the trust company law of the State and also to the supervision of the bank commissioners. A fine of \$100 was to be imposed upon any firm using the word "trust" if not subject to the provisions of the law. In 1907, the law was amended to include the trust officer as one of the officials of a trust company qualified to take oath for the corporation or to be held liable for the failure of the trust company to perform any of the duties required by law to be performed by individuals acting in like capacity. The Bank Act of 1909 reenacted the previously existing law covering trust companies with certain changes and additions. The capital requirement was changed from "not less than \$250,000, of which \$100,000 is actually paid in in cash" to read "having a capital of not less than \$200,000 actually paid in." The word "corporation" or "corporations" was changed in the law of 1909 to "trust company" or "trust companies." The superintendent of banks was given complete power of supervision over trust companies. Undoubtedly the most important part of the Bank Act of 1909 was the establishment of departmental banking, which made it possible for trust companies to be organized either with or without savings or commercial departments and which at the same time also permitted savings or commercial banks to be given the power if desired to establish trust departments. The Bank Act of 1909 required a segregation of the capital of a state bank among its various departments in accordance with the provisions of the law.

The first report of the superintendent of banks for the fiscal year ending June 30, 1910, provides the first satisfactory collection of trust data for the banks of California. The following 34 institutions had in their titles the word "trust." Out of that number, however, only fourteen operated trust departments, twelve had trust deposits, and only three, the Mercantile Trust Company of San Francisco, the Title Guaranty & Trust Company

of Los Angeles, and the Title Insurance & Trust Company of Los Angeles, were engaged solely in trust company activities:

REPORT, JUNE 30, 1910

	Trust Dept. Resources	Trust Deposits
American Bank & Trust Co., Pasadena.....		
Anglo California Trust Co., San Francisco.....	\$ 211,963.49	\$ 11,963.49
Bank & Trust Co., Tomales.....		
Bankers Trust Co., Oakland.....	242,856.75	17,856.75
Berkeley Bank of Savings & Trust Co.....	214,010.02	14,010.02
Broadway Bank & Trust Co., Los Angeles.....		
Capital Banking & Trust Co., Sacramento.....		
Central Trust Co. of California, San Francisco.....	275,440.17	71,298.87
First Federal Trust Co. of San Francisco.....	437,616.88	187,616.88
First Trust & Savings Bank, Oakland.....		
Garden City Bank & Trust Co., San Jose.....		
Gardena Bank & Trust Co.....		
Granite Bank & Trust Co., Monrovia.....		
Los Angeles Trust & Savings Bank.....	242,312.27	28,582.86
Marine Trust & Savings Bank, San Francisco.....		
Mayfield Bank & Trust Co.....		
Mercantile Trust Co., San Francisco.....	2,696,818.88	995,549.43
Merchants Bank & Trust Co., Los Angeles.....	227,902.18	27,920.88
Metropolis Trust & Savings Bank, San Francisco.....	203,683.20	
Oil & Metals Bank & Trust Co., Los Angeles.....		
Pasadena Savings & Trust Co.....		
Riverside Savings Bank & Trust Co.....		
Roseville Banking & Trust Co.....		
Sacramento Valley Trust Co., Sacramento.....	290,944.99	
Savings Bank & Trust Co., Pomona.....		
Savings & Trust Co. of San Mateo County, Redwood City.....		
Security Bank & Trust Co., Oakland.....		
Southern Trust Co., Los Angeles.....	263,441.25	63,441.75
Southern Trust & Savings Bank, San Diego.....		
Title Guaranty & Trust Co., Los Angeles.....	613,131.32	2,098.76
Title Insurance & Trust Co., Los Angeles.....	478,367.14	190,782.64
Union Trust Co., San Francisco.....	1,414,097.78	634,097.78
Union Trust-Savings Bank, Santa Rosa.....		
West Oakland Bank & Trust Co., Oakland.....		
Total	\$7,812,586.32	\$2,245,210.11

The development of the trust company business in California since June 30, 1910, is clearly indicated in the following table which presents the returns for trust companies and for trust departments of state banks. The figures dealing with capital, surplus and total resources relate only to trust companies and to the funds set aside by state banks for the use of their trust departments.

RETURNS FOR TRUST COMPANIES AND TRUST DEPARTMENTS OF STATE BANKS

Date	No. of Trust Com- panies	No. of Trust Depts. in State Banks	Capital	Surplus	Total Resources
June 30, 1910.....	4	24	\$3,625,000	\$1,114,376	\$ 7,826,661
June 23, 1915.....	7	20	6,020,000	1,193,478	10,871,296
June 30, 1920.....	8	26	7,337,900	1,941,378	11,051,339
June 30, 1925.....	7	28	9,000,000	1,340,141	13,606,425
June 30, 1926.....	10	26	9,908,500	1,880,065	15,941,505

The number of trust companies increased from four in 1910 to ten in 1926; the number of trust departments in state banks increased from 24 to 26 within the same period; the capital stock about trebled; surplus about doubled; and total resources doubled. On June 30, 1926, out of total trust resources of \$15,941,505, a little more than a third, \$4,906,041.53, belonged to the ten trust companies—the remainder being controlled by the trust depart-

ments of state banks. On that same date the ten trust companies reported \$36,879,182.83 in court trusts, and the 26 trust departments of state banks reported \$144,962,449.79 in court trusts. California ranks fourth among the states of the Union on the basis of the total resources of its banking institutions.

The following table shows in detail the annual growth in the number of trust companies and trust departments of state banks from June 30, 1910, to June 30, 1926:

NUMBER OF TRUST COMPANIES AND TRUST DEPARTMENTS OF
STATE BANKS

June 30, 1910, to June 30, 1926

<i>Year</i>	<i>Trust Co.'s</i>	<i>Trust Depts.</i>	<i>Year</i>	<i>Trust Co.'s</i>	<i>Trust Depts.</i>
1910	4	24	1919	7	27
1911	5	21	1920	8	26
1912	7	19	1921	10	26
1913	6	14	1922	7	24
1914	7	16	1923	8	28
1915	7	21	1924	7	27
1916	5	23	1925	7	28
1917	7	25	1926	10	26
1918	7	25			

The trust company law, as stated above, has been amended at every session of the Legislature since 1909. It would be too detailed a story to present in this place the various changes that have occurred. As may be surmised, the law has been improved and amended so as to keep it abreast of the demands of the times. The first comprehensive recommendations for changes in the trust company law of the State were made by Superintendent of Banks W. R. Williams in his report for 1912. He held that the trust companies were not properly supervised, inasmuch as their affairs were not within the knowledge of his department. He claimed that obligations of the utmost importance to individuals and to communities were without inspection. He desired that they be placed completely under the jurisdiction of his office and urged that there should at least be a complete separation between the so-called public or court trusts and those which are generally characterized as private trusts. He asked that all court trusts be subject to the detailed supervision of his department. The Legislature of 1913 amended the law in many particulars. One of the important changes made authorized trust companies to be organized with a capital of \$100,000 in smaller communities.

It may be remembered that on March 18, 1905, the State Legislature amended the trust company law of 1891 so as to prohibit the use of the word "trust" by any person, partnerships or corporations not subject to the supervision of the bank commissioners. No effort was ever made, however, to enforce that provision. The same restriction upon the use of the word "trust" was incorporated in the Bank Act of 1909. In the meantime a large number of firms in California were using the word "trust" in their titles, regardless of whether or not they were engaged in that form of business. A question was raised as to whether or not the provision in the law of 1909 was retroactive. When W. R. Williams became state superintendent of banks in 1911, he insisted, however, that no corporation was legally authorized to use the word "trust" in its title unless it was operating under the jurisdiction of his office. He announced that all necessary steps would be taken to enforce his ruling, with the result that the offending corporations complied with his orders and changed their titles accordingly.

The Federal Reserve Law, enacted December 23, 1913, aimed in part to place national banks on a more equal competitive basis with state institutions. Section 11, K, of that act authorized national banks to engage in certain kinds of trust activities when not in contravention of State or local law. Protest was immediately raised by various trust companies throughout the United States and also by the Trust Company Section of the American Bankers Association, the claim being made that Congress had no constitutional right to bestow trust company powers upon national banks. After some delay, several cases involving various phases of the question were placed before the United States Supreme Court, and in each instance that tribunal upheld the constitutionality of the Federal Reserve Act. Section 11, K, of the Federal Reserve Law had authorized national banks to act only as trustee, executor, administrator, and registrar of stocks and bonds. Encouraged by the decisions of the United States Supreme Court, the Federal Reserve Board recommended to Congress that the law be further expanded so as to permit national banks to exercise additional powers as guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which state banks, trust companies or

other corporations, which came into competition with national banks, were permitted to act under the laws of the State in which the national bank was located. After due consideration, Congress enacted those proposals into law on September 26, 1918.

The attitude of the state banking authorities in California toward the extension of the powers of national banks was most antagonistic, inasmuch as the Bank Act of 1909 had reserved for state banks the sole right to engage in such activities. There was not an expressed provision, however, preventing national banks from acting as registrars of stocks and bonds, and as a consequence some national banks in the state early in 1915 applied to the Federal Reserve Board for power to act in that capacity until the question of the constitutionality of the trust company section of the Federal Reserve Law might be finally decided by the United States Supreme Court. The national banks of California which applied for such privileges during the first year (to December 31, 1915) were as follows: The First National Bank of Calexico, the Continental National Bank of Los Angeles, the Central National Bank of Oakland, the First National Bank of Pleasanton, the First National Bank of Visalia, the First National Bank of Wilmington, the Farmers & Merchants National Bank of Fullerton, and the Bank of California, National Association, of San Francisco. When the question as to the constitutionality of the trust company sections of the Federal Reserve Law had been decided, and after Congress had modified the law as above noted, a number of California banks hastened to avail themselves of their new privileges. During the fiscal year ending June 30, 1920, the following nine national banks established trust departments:

NATIONAL BANKS AUTHORIZED TO DO TRUST BUSINESS

July 1, 1919, to June 30, 1920

<i>Name of Bank</i>	<i>Location</i>	<i>Date Qualified</i>
Central National Bank-----	Oakland _ _ _	July 31, 1919
First National Bank-----	Bakersfield _ _ _	Aug. 25, 1919
Bank of California, National Assn. _ _ _	San Francisco _ _ _	Aug. 25, 1919
National Bank of D. O. Mills & Co. _ _ _	Sacramento _ _ _	Sept. 6, 1919
Farmers & Merchants Nat'l. Bank _ _ _	Los Angeles _ _ _	Aug. 25, 1919
Capital National Bank-----	Sacramento _ _ _	Sept. 25, 1919
First National Bank-----	Santa Barbara _ _ _	Sept. 25, 1919
Butte County National Bank-----	Chico _ _ _ _ _	Sept. 24, 1919
National Bank & Trust Company--	Pasadena _ _ _ _	Mar. 25, 1920

These nine banks set aside \$1,417,411.48 for the conduct of their trust company business and reported, at the end of the fiscal year of 1920, total trust resources of \$1,644,733.22. National banks are subject to the same requirements and regulations relative to their trust activities as are the state chartered institutions, and are likewise under the supervision of the state superintendent of banks in that regard. The private trust business of state and national institutions, however, is not under the supervision of the State Banking Department. Consequently, data are available only for their court trusts and for the resources of their trust departments. On December 31, 1925, 29 California national banks were carrying on some phase of trust company activity with the sanction of the Federal Reserve Board. Of that number eight were not subject to the supervision of the state superintendent of banks and made no reports to him because they were carrying on certain trust functions which were outside of his jurisdiction. Up to June 30, 1926, the last date for which data are obtainable, the state superintendent of banks had authorized 28 national banks to engage in trust company activities under the terms of the State Bank Act and to make reports to him. With the passage of years, some of these institutions were absorbed by other banks, so that on the date mentioned only 21 national banks reported to him as to their assets and court trusts. On June 30, 1926, the 21 national banks in question had total resources of \$398,159,718.32, and held court trusts amounting to \$10,352,119.40.

The trust companies of California and the state banks operating trust departments were rather late in forming an organization for mutual advancement. It was not until 1917 that the Trust Company Section of the California Bankers Association was formed. At that time there were 7 trust companies and 25 state banks having trust departments, the total resources of which placed California seventh among the states of the Union. Bankers felt that trust company problems were different from those with which commercial and savings banks were concerned, and it was deemed advisable to bring all interested parties into an organization for mutual help and understanding. Action could then be taken much more readily in favor of needed legislation or in opposition to hostile or unwise amendments to the State Bank

Act. Annual meetings of a most helpful sort are held in conjunction with the sessions of the California Bankers Association.

Since 1917, other associations have been organized among the trust officers in various communities of the state. At present there is a Trust Officers Association at Long Beach, an Association of Trust Officers of Los Angeles and Vicinity, and the Associated Trust Companies of Central California. The growing need for the education of bank employees in trust company functions has been keenly felt by the American Institute of Banking, and in many chapters excellent courses in that subject have been given during the past few years. Another movement which has meant much to the trust companies of California, as well as to those of the eleven other Pacific Coast and Rocky Mountain states, has been the regional conferences held since 1923 under the auspices of the Trust Company Division of the American Bankers Association in coöperation with the Trust Company Section of the California Bankers Association. The first regional conference was held in San Francisco on November 23, and resulted in an intensive two-day session, which was characterized as being a "veritable feast of trust wisdom." The leaders gave freely of their knowledge and in turn received many new bits of information and newer points of view from those with whom they associated. Conferences have been held at Salt Lake City in 1924, at Seattle in 1925, and at Los Angeles in 1926. The next conference is to be held at Portland in 1927.

In addition to caring for the ordinary problems which arise daily in trust company management, and taking an active part in suggesting amendments to the trust company sections of the State Bank Act, the trust companies of California have had to face two serious problems. The first arose in connection with the so-called "Lawyers' Bill," passed by the State Legislature in 1921. For some time previous, the lawyers of the state had claimed that trust companies were giving a considerable amount of legal advice to customers, free of charge, and were therefore cutting into the practice of those persons who had been admitted to the bar. It was also urged that trust companies were accustomed to draw wills and induce clients to designate a trust company as executor thereof. It was alleged that lawyers were not only losing fees in connection with giving advice and drafting wills, but that they were also being deprived of fees as executors and as attorneys

for estates. To prevent this, the lawyers secured the passage of the so-called "Lawyers' Bill," the first clause of which held that "It shall be unlawful for any person not licensed as an attorney and counselor to practice law * * * or * * * render and furnish legal advice." The bill would have created a legal monopoly in California. The trust companies very wisely decided to refer this measure to the people of the state at the fall election of 1922. An active campaign was waged by the trust companies and members of the California Bankers Association, with the result that the measure was easily defeated. For the purpose of retaining the good will of the legal profession, however, the trust companies then adopted, as part of their ethical program, the practice of referring clients to a lawyer to have wills drafted and legal advice given.

The second problem of the state trust companies has to do with certain activities of foreign corporations in California, some of which it is claimed have been illegally carrying on trust functions. In the case of the Guaranty Trust Company of New York vs. Elizabeth A. Holman, the United States District Court of San Francisco held that, under the provisions of the State Bank Act, a trust company, organized under the laws of another state, cannot act as a trustee under a will in California. In this same connection another interesting case has arisen involving the New York Life Insurance Company, which issued a policy with a trust agreement to James P. Mackel of Los Angeles. The policy was for the sum of \$4,000, and was taken out by Mr. Mackel for the purpose of providing a college education for his son. According to the terms of the policy, the New York Life Insurance Company was appointed to act as trustee of the proceeds of the policy. The trust agreement was entered into on February 23, 1926. One of the California life insurance companies protested to the superintendent of banks, claiming that the New York Life Insurance Company, a foreign corporation not authorized to do a trust company business in the state, was, because of the above type of policy, violating certain of the trust company sections of the State Bank Act. The practice was also condemned because of the fact that under the State laws a life insurance company is not permitted to receive and administer trusts. It was held by the protestant that the New York Life Insurance Company was therefore vio-

lating Section 15, Article 12 of the Constitution of California, which holds that,

“No corporation organized outside the limits of this state shall be allowed to transact business within this state on more favorable conditions than are prescribed by law to similar corporations organized under the laws of this state.”

Briefs have been filed with the State's attorney-general against the position of the New York Life Insurance Company, and by the latter on its own behalf. A formal ruling by the office of the attorney-general has been asked for. Regardless of what the decision may be, the case will undoubtedly be carried into the state courts and possibly before the United States Supreme Court for final adjudication. It is urged by some bankers and insurance officials that an amendment to the State Bank Act, permitting life insurance companies chartered in California to transact certain phases of the trust company business, may be the most satisfactory method of meeting the situation faced by the local insurance companies.

CHAPTER XXI

THE NATIONAL BANKING SYSTEM IN CALIFORNIA

The National Banking System was the direct outgrowth of a critical situation faced by our Federal Government during the early days of the Civil War period. The Northern States were in conflict with the Confederacy, and financially were seriously handicapped in two different respects. First, they were experiencing difficulty in obtaining funds with which to carry on their campaign against the South. Bond issues were difficult to market. There was but little demand for them at home, and the citizens of foreign countries were primarily interested in the cause of the Confederacy, and would not subscribe to the bonds of the Northern States to any extent. In the second place, the Northern States were sadly handicapped in their financial activities because of the lack of a uniform bank note currency. Practically all of the Northern States permitted state chartered banks to issue bank notes, and in many cases, as has been noted in previous chapters, these notes were only partially secured and were not always redeemable at par on demand. State bank notes of all kinds and descriptions were issued in various sizes and denominations, in a vast variety of forms, printed on all sorts of paper, and secured by varying amounts of different kinds of collateral. Some notes were accepted at par, others at far less than their face value. Counterfeits were plentiful, and raised or altered notes were in circulation in abundance. Naturally business was handicapped, and so were the Northern States in financing their campaign against the South.

Those of us living under changed conditions can scarcely appreciate the many abuses that characterized the state banking systems during that period. A contributor to the *Bankers Magazine* in January, 1861, in commenting upon the expansion in the note issues of Illinois banks in 1860, the amount outstanding aggregating \$1,400,000, declared that,

"This statement embraces the returns of 94 banks, more than one-half of which are merely banks of circulation without capital and doing no business in their nominal locations."

The Chicago *Tribune* of December 13, 1861, called the state bank notes then in circulation "the ragged and doubtful issues of 1,600 corporations." On March 13, 1863, the same paper characterized the state bank notes then in circulation as "poor, lean, unsafe, inconvenient, and tormenting. * * * Torn, greasy, issued by nobody knows whom, payable—if payable at all—in other scraps of printed paper like those on demand, not one in five of which is as good as the notes for equal amount of any solvent business man, yet all clothed by custom and prescription with the attributes of money." State banks were known to have issued eighteen to twenty-five times the amount of their capital stock in bank notes, and, so far as the public was concerned, with no other security than the good faith of the issuing institution. Notes were printed upon every variety of paper, and no two bills were alike. Counterfeits and altered notes existed in abundance. "Bank Note Reporters" were published regularly and posted in all public places, so that the people might know the value of the notes in circulation. These Note Reporters contained, not only a list of the counterfeits and the notes of failed and worthless banks, but also the rates of discount at which bank notes would be accepted in different communities. One of the Note Reporters listed 5,400 different counterfeit, altered, and spurious notes. There were customarily in circulation ordinary counterfeits, genuine notes altered from lower to higher denominations, genuine notes of failed banks altered to the names of solvent banks, genuine notes of solvent banks with forged signatures, spurious notes of banks that had never existed, notes of failed banks, etc.

It was to remedy such a state of affairs, and also to provide a market for United States bonds, that Secretary of the Treasury Salmon P. Chase, as early as 1861, recommended to Congress the establishment of a National Banking System. Accordingly he proposed that Congress pass a law creating national banks, which would be compelled to purchase a certain amount of United States bonds, and then be authorized to use these bonds as security for the issue of national bank notes. Various other progressive ideas were included in the national banking bill, which, after considerable discussion, was passed by Congress and signed by Presi-

dent Lincoln on February 25, 1863. There were many defects in the law, which made it necessary to revise it thoroughly and re-enact it in 1864. That measure remained practically unchanged, except for a few minor amendments, down to 1913, when it was displaced to a considerable extent by the provisions of the Federal Reserve Act.

It was hoped by the advocates of the National Bank Act that most of the state banks would become national institutions because of the many provisions for better banking included in the new law. In this, however, they were disappointed, for the state banks were not eager to avail themselves of its provisions. The National Banking Act had not prohibited the issue of state bank notes, and as a consequence many state institutions preferred to continue under their old charters. It looked as though one of the main reasons for enacting the national banking law, i. e., the establishment of a safe and uniform bank note currency, would not be realized. However, on March 3, 1865, a law was passed by Congress imposing a 10 per cent tax on all state bank note issues after July 1, 1866, and that measure immediately drove such notes out of circulation. After 1866, the growth of the national banking system progressed in a satisfactory manner, and for a while it looked as though it would indeed outstrip the state banking systems in importance. However, from time to time state banking laws have been modified and have given state banks additional privileges not possessed by the national banks, so that as a consequence a greater number of state banks have been organized than national banks. At present, there are approximately 8,100 national banks and more than twice that many state banks. On April 12, 1926, R. N. Sims, secretary-treasurer of the National Association of Supervisors of State Banks, reported 20,289 state banks with a total capital of \$2,065,024,071, deposits of \$34,116,035,973, and total resources of \$39,105,787,890. On the same date he reported 8,000 national banks with a capital of \$1,410,434,000, deposits of \$20,175,798,000, and total resources of \$24,893,665,000. Those data give one a fair idea of the relative position in the financial world occupied by the state and national banking systems.

The National Bank Act was the most progressive and advanced financial measure adopted up to that time. In the first place, it provided for a system of banks to be located anywhere

in the United States operating under the clauses of a single banking statute. All national banks were to be conducted under the direct supervision of a Federal official and his staff. The minimum capital stock required of a national bank was determined by the size of the city in which it was located. No national bank could be established with a capital stock of less than \$50,000, although in later years this was reduced to \$25,000. It was required that a surplus, equal to at least 20 per cent of the paid-up capital stock of a bank, should be accumulated out of net earnings over a period of years. No bank could begin operations until at least one-half of its required capital stock was paid in cash. Cities were grouped into three classes—central reserve, reserve, and other cities. New York City, Chicago, and St. Louis became central reserve cities. Approximately 50 of our larger cities were placed in the reserve city group. All other cities were grouped into the third class. The reserves, which a national bank was required to keep behind its deposits, depended upon whether the national bank in question was located in a central reserve city, reserve city, or in some other city. National banks were authorized to issue national bank notes against a deposit of United States bonds. At first, \$90 worth of notes was secured by \$100 worth of bonds, but this was subsequently changed so that \$100 in notes was secured by an equal amount of bonds. Periodic examinations by national bank examiners and reports of condition were required. The national banking system was designed to be commercial in character, and was not intended to authorize national banks to engage in a savings or trust company business, although they were not prohibited from paying interest on accounts, and many of them did so. National banks were not allowed to loan on real estate, or to accept drafts drawn on them in connection with the financing of foreign or domestic trade. Charters were granted for 20 years, but in 1925 the limit was raised to 99 years. By the terms of the McFadden Act, signed by President Coolidge on February 25, 1927, national banks were given indeterminate charters. It is not possible in this place to mention various other provisions of this important banking statute.

The establishment of the national banking system in 1863, did not create even a ripple of interest among the Californians. To them it was nothing more than another law creating banking institutions with the power to issue paper money. The tradi-

tions of the Californians were opposed to banks of issue, regardless of whether they were of state or federal charter. Californians would have nothing to do with the proposal to establish a bank possessed of the authority to issue bank notes, no matter how thoroughly such notes were secured by government bonds. On January 12, 1864, the *Mercantile Gazette and Prices Current*, of San Francisco, stated that,

"We know that overtures have been made by officers of the Government to some of our more prominent merchants and business men, and that in many cases, at least, if not in all, those overtures have been met with decided opposition. Some would favor the project if assured that the Bank were to be a specie paying institution and that the reserve of lawful money required by Congress were to be coin and not legal tenders. Others watch with extreme and pardonable jealousy any innovation upon the currency which has served our purposes so well hitherto, and their prejudices are in no degree softened by the condition of fiscal matters on the Atlantic side, where the experiment of paper currency has been so long and fully tested."

Again on July 2, 1864, is stated that,

"It is hardly necessary to say that a paper money bank, even though it were specie paying, would not be acceptable to the people of this state. We do not need it—at least we think so. To our apprehension solid gold is better than gilded paper and we have an abundance of it for all the purposes of our commerce."

The *Alta California* of November 7, 1865, declared that,

"California has managed to do without such wonderful banks. We have money at one per cent per month without the feeling of alarm."

National banks were characterized by that paper as "high, lofty, magnificent paper mills."

The United States comptroller of currency, in spite of the opposition of the Californians, continued to suggest the advisability of establishing national banks within the confines of the state. But the local capitalists, realizing the opposition of the citizens to bank note circulation, refused to take any steps in that direction. They also feared that, inasmuch as the people would not accept the bank notes, there would be no profits and no advantages to be derived from the incorporation of a national bank. The *Alta California* of January 12, 1870, again expressed its attitude on the matter by making the following statement:

"There has been nothing in the past seven years to prevent the establishment of National Banks under the Federal law by those who might desire it, except the difficulty of seeing any 'money in it.' Jay Cooke, the great embodiment of paper quackery, sent four years since, his brother out here to start National Banks to the amount of \$10,000,000. That person was well received by all the bankers and financiers. He was told that if he could, after due deliberation, show how to make any money by National Banks, a crowd of people would join him in establishing them. Every facility was given him to form a judgment, and he traveled all over the state, but came to the conclusion that there was 'no money in it,' and the thing was abandoned. No banks were started, except the National Bank of Nevada, which struggled along a couple of years, and four months after the railroad was opened the Comptroller of the Currency at Washington shut down on its securities, and notified bill-holders to send them to Washington for payment. The reason of this utter failure to establish the system was its want of adaptedness to the exigencies of this coast."

Two days later, it also announced that in its estimation,

"Californians are probably quite as capable of judging what the Pacific and gold-producing states require in the shape of currency as the Comptroller is, and when that officer's advice is needed it will be applied for; until then he had better restrict himself to matters within the scope of his confessed ability. To recommend a paper currency for a state that sends away from fifty to sixty millions of dollars in gold per annum, is, to say the least, a vigorous return in brass."

The Washington authorities were determined to introduce the national banking system into California, and finally on July 12, 1870, Congress enacted a law which it hoped would overcome the opposition of the Californians. This measure provided for the incorporation of "national gold banks," authorized to issue bank notes redeemable only in gold coin on demand. For every \$100 in United States bonds deposited with the Treasury Department, \$80 worth of these "national gold bank notes" could be issued. But no national gold bank was permitted to have more than \$1,000,000 worth of notes in circulation, and it was required always to keep on hand a fund of gold and silver coin of not less than 25 per cent of its outstanding circulation as a redemption fund. The notes of the national gold banks were printed on yellow paper and were redeemable only at the counter of the bank

that issued them. They were made receivable at par by all other national gold banks.

Although the law authorizing the establishment of national gold note banks was enacted solely for the purpose of meeting the California situation, there was nothing in the law to prevent gold banks from being established any place in the United States. From 1870 to 1880, ten national gold banks were organized in California and three in Massachusetts. Those in the latter state did not long remain in operation inasmuch as it was more profitable to organize a national currency bank than a national gold bank in all states except California, because the people of the East never raised any objection to the circulation of the bank notes of national currency banks. During 1870-1884, which marks the period of the life of all the national gold banks, there was issued an amount of national gold bank notes aggregating \$3,465,240.

At first, the Californians used the national gold bank notes in making remittances to the eastern parts of the United States under the impression that, like the bank notes issued by the national currency banks, they would be accepted at par in those communities. That, however, was not the case, because they were redeemable only at the counter of the issuing bank, and were receivable at par only by other national gold banks. There were no national gold banks in New York City, and as a consequence the gold bank notes, when they arrived in New York, were sold to brokers at a discount which amounted to the cost of a telegraphic order and seven days' interest. They therefore proved to be an expensive means of making New York payments, and their use for that purpose was soon discontinued. The ordinary national banks in the eastern states, known as national currency banks, were allowed to issue national bank notes up to 90 per cent of the par value of the bonds deposited by the banks with the Treasury Department of the United States. They circulated freely in eastern communities, and to a certain extent in California, and did not have to meet any of the objections offered to the national gold bank notes.

Within a few months following the enactment of the national gold bank law, a group of San Francisco capitalists set about to see if sufficient support could be obtained for the organization of a national gold bank in that city. In September, 1870, James

Phelan, Peter Donohue, and their associates took the necessary steps to apply for a national gold bank charter. It was planned that the bank should have a capital stock of \$1,000,000, which sum, large for that date, was subscribed without difficulty. On October 19, James Phelan was elected president, Samuel Horst, vice president, and N. K. Masten secretary of the association which was later to become the First National Gold Bank of San Francisco. The entire amount of its capital stock was invested in governmental bonds, and was deposited with the United States Treasurer, thus enabling the bank to place \$800,000 of gold bank notes in circulation. A charter was received from the comptroller of the currency on December 11, and the doors of the new bank, the first financial institution in California to be chartered under a Federal law, swung open to the public on January 1, 1871. The banking offices were located at the northwest corner of Montgomery and Sacramento streets in quarters previously occupied by Parrott & Company. The first consignment of gold bank notes arrived in March, 1871. They were immediately placed in circulation, at least so far as possible. These gold notes, however, encountered some opposition. To many Californians, the establishment of a national gold bank appeared to be a radical innovation and an experiment of doubtful expediency. Californians had been reared on a metallic monetary system. They had also been accustomed to purchase greenbacks at a discount. Consequently, they hesitated at first to receive the notes of the First National Gold Bank at par. As the San Francisco *Evening Bulletin* declared,

"It is a new thing to see a paper dollar which did not tell a lie on its face. But here were paper dollars without fiction or a falsehood. They not only had the color of gold, but they could be exchanged for gold at pleasure."

The notes gradually worked their way into circulation, and as the people came to recognize them as being a medium of exchange different from the greenbacks, they were accepted more and more generally.

On March 5, 1884, the First National Gold Bank of San Francisco dropped the word "gold" from its title, and became the First National Bank of that city. After a most successful career, it and its affiliated institution, the First Federal Trust Company of San Francisco, were merged on January 2, 1926, with the Crocker

National Bank of San Francisco, creating the Crocker First National Bank and the Crocker First Federal Trust Company.

The second national gold bank to be organized in California grew out of the California Trust Company, which had been incorporated as a state institution in January, 1868, with an authorized capital of \$1,000,000, but only \$12,500 of which had been paid in at the time it opened its doors to the public. In May, 1872, it reorganized and took out a national charter as the National Gold Bank & Trust Company with an authorized capital stock of \$1,000,000 fully paid up. This bank was successful until 1875, when it was forced to close its doors temporarily as a result of the financial panic following the failure of the Bank of California. It resumed operations in June, 1876, but found it impossible to regain the support of the public, and on September 1, 1879, its stockholders voted to liquidate its affairs, all claims subsequently being paid in full.

By May 1, 1875, the National Gold Bank & Trust Company and the First National Gold Bank, both of San Francisco, had placed in circulation national gold bank notes amounting to \$1,413,100. For the purpose of securing that sum, the banks had purchased \$1,800,000 of United States bonds, payment therefor being made in gold. They were also compelled to maintain on hand a 25 per cent redemption fund of gold and silver coin, amounting to \$927,763, making a total of \$2,727,763 of coin which had been withdrawn from the market in order that \$1,413,100 of gold notes might be placed in circulation. In commenting upon this situation the *Daily Alta California* of May 26, 1875, remarked as follows:

"This operation, notwithstanding the great convenience of paper money, is by no means a favorable one for this community, which is the source of continual drain to the East, by all money dealers. It is paying pretty dearly for the mere convenience of paper money, when bank checks would answer the same purpose. Besides this great diminution of money caused by the use of notes, there is the oppression and inconvenience of the state vassalage to a by no means pure official control at Washington in which National Banks place themselves. Hence there is little disposition among those in the city who have capital for banking purposes to thrust their necks into the National Bank yoke."

The third bank to function under the national gold bank law of 1870, was the old pioneer institution of the Bank of D. O. Mills

& Company of Sacramento. The early history of this bank has been detailed in previous pages. It is only necessary to say that the bank became the National Gold Bank of D. O. Mills & Company some time during 1872, which title was retained until 1883, when it became the National Bank of D. O. Mills & Company. This institution was merged with the California National Bank of Sacramento, under the title of the latter, on October 29, 1925.

In January, 1873, the above mentioned three national gold banks were in operation in California. These institutions had a total capital stock of \$2,800,000, and had \$1,480,000 national gold bank notes in circulation.

The fourth national gold bank to be organized in California was the First National Gold Bank of Stockton, capitalized at \$200,000, and chartered on November 23, 1872. It was the first of the gold note banks to drop the word "gold" from its title, which it did as a result of a resolution adopted by its stockholders on February 5, 1879. It has continued down to date as one of the most prosperous national banks of the San Joaquin district, and has taken no part in mergers or amalgamations. At the present time, it is the oldest national bank in California.

The First National Gold Bank of Santa Barbara was incorporated on March 3, 1873, with a capitalization of \$50,000 to take over the private banking business of Mr. Mortimer Cook, who became the first president of the new institution. It dropped the word "gold" from its title some time in 1880, and has continued down to date as the First National Bank of Santa Barbara. It is at present the second oldest national bank in the state.

The Farmers National Gold Bank of San Jose was organized on July 11, 1874, with a capital stock of \$500,000. In 1880, its title was changed to the First National Bank of San Jose. It, like its Stockton and Santa Barbara predecessors, has continued down to date without taking part in mergers or consolidations.

The First National Gold Bank of Petaluma was the result of the incorporation under a national gold bank charter of the private banking business of I. G. Wickersham & Company, which took place December 23, 1874. The First National Gold Bank of Petaluma was capitalized at \$200,000. In 1880, it dropped the word "gold" from its title, and in September, 1894, gave up its charter as a national bank, and transferred its assets to the Wickersham Banking Company at Petaluma, which had been in-

incorporated under a state charter on September 11, 1894. The latter bank was sold to the Swiss-American Bank of Petaluma on May 1, 1910.

The history of the First National Gold Bank of Oakland incorporated on April 10, 1875, and of the Union National Gold Bank of the same city incorporated on May 20 of that year has been already told in some detail in previous pages. These two banks dropped the word "gold" from their titles in 1880, and became respectively the First National Bank of Oakland and the Union National Bank of Oakland. The Union National Gold Bank had succeeded to the commercial business of the Union Savings Bank, while the First National Gold Bank had grown out of the Alameda County Savings & Loan Society. The Union National Gold Bank became the Union National Bank on March 8, 1881. It failed on April 14, 1909, but finally paid all depositors 100 per cent of their claims. The First National Bank of Oakland was merged with the American Bank of San Francisco on October 14, 1924.

The last gold bank to be incorporated in California was the Santa Barbara County National Gold Bank chartered on February 20, 1880. It was the successor of the Santa Barbara County Bank, which had been chartered on July 26, 1875, with a capital stock of \$100,000. It dropped the word "gold" from its title in 1880, and in 1920, added the word "trust," becoming the Santa Barbara County National Bank & Trust Company.

In addition to the above mentioned national gold banks, a third gold bank had been planned for San Francisco, but failed to materialize. In San Jose the stockholders of the Bank of San Jose proposed making it into a national gold bank, but after some discussion it was decided not to do so. National gold banks were also planned for Tomales and Santa Cruz, but nothing came of the proposals.

On January 1, 1879, the United States government resumed specie payments. Two weeks earlier the greenbacks had returned to par. There was no question, therefore, regarding the value of any of the money of the United States government. It was all worth its face value in gold. As a consequence, there was presumably no further need of gold note banks. Congress accordingly passed a measure signed by the President on February 14, 1880, authorizing the national gold banks to change into national

currency banks, and also to modify their titles without the necessity of going through the process of liquidation. Within a very short time after the passage of this measure, all national gold banks dropped the word "gold" from their titles.

The national gold banks had more or less paved the way for the acceptance of national currency banks. The first national currency bank, the First National Bank of Alameda, was incorporated on October 11, 1879, with a capital stock of \$100,000. It gave up its national charter, however, on October 31, 1888, and became the Bank of Alameda. During the decade of the '80s a number of other currency banks were organized in California. The First National Bank of Los Angeles was incorporated on July 31, 1880, succeeding to the business of the Commercial Bank of Los Angeles, which had been incorporated on September 25, 1875, with a capital stock of \$300,000. As the First National Bank, however, the institution had an authorized capital stock of \$100,000. Its marvelous growth and development since its organization, and its intimate association with the Pacific Southwest Trust & Savings Bank, have been fully presented in previous pages. The Los Angeles National Bank was incorporated in June, 1883, with a capitalization of \$100,000. It was one of the many banks organized by Major George H. Bonebrake in the southern part of the state. It was finally purchased by the First National Bank of Los Angeles in 1905. The First National Bank of San Diego grew out of the Bank of Southern California, which had been chartered as a state institution on July 16, 1883. A few months later its stockholders decided to incorporate as a national institution, and did so as the First National Bank of San Diego with a capital stock of \$50,000. It later absorbed the Bank of San Diego and the American National Bank, and is at present one of the outstanding institutions in the southwestern part of the state. On October 26, 1881, the Fresno County Bank was incorporated. On April 1, 1885, it became the First National Bank of Fresno, and on June 18, 1921, was purchased by the Bank of Italy. In 1882, the Stockton National Bank was organized, succeeding to the business of the Bank of Stockton, which had been chartered on February 3, 1868. It voluntarily liquidated, October 31, 1883. The Consolidated Bank of San Diego, which had been incorporated on October 6, 1879, became the Consolidated National Bank in October, 1883. It was forced to close on July 24, 1893.

The First National Bank of Modesto was chartered January 28, 1884, with a capital stock of \$50,000. On July 10, 1920, it was purchased by the Sacramento Bank, and later became the Modesto branch of the United Bank & Trust Company of San Francisco.

From the above data it can be seen that the growth of national banks in California proceeded very slowly. By March, 1885, only the following fifteen national banks were in operation in the state: First National Bank of Alameda, First National Bank of Los Angeles, Los Angeles National Bank, First National Bank of Modesto, First National Bank of Oakland, Union National Bank of Oakland, First National Bank of Petaluma, National Bank of D. O. Mills & Company of Sacramento, First National Bank of San Francisco, First National Bank of San Jose, First National Bank of San Diego, Consolidated National Bank of San Diego, First National Bank of Santa Barbara, Santa Barbara County National Bank, and First National Bank of Stockton. Nine of those institutions were in the northern part of California, and six in the southern part. On March 10, 1885, the above fifteen banks had a paid-up capital stock of approximately \$3,550,000, with surplus and undivided profits of \$1,183,700, deposits of \$6,409,600, and total resources of \$12,956,800. They also had an authorized national bank note circulation of \$1,357,590, practically all of which had been issued. Of the original list, only six remain in operation at the present time, namely: First National Bank of Los Angeles, First National Bank of San Jose, First National Bank of San Diego, First National Bank of Santa Barbara, Santa Barbara County National Bank & Trust Company, and First National Bank of Stockton.

During the early '80s, Congress slightly modified the national banking law so as to provide additional inducements for banks to be organized under its provisions, as a consequence of which we find an awakened interest in the establishment of national banks in California. The Fresno County Bank was converted into the First National Bank of Fresno in 1885, and in the same year the First National Bank of Riverside was also chartered. During 1886, seven new banks were incorporated, namely: Crock-er Woolworth National Bank of San Francisco, Santa Rosa National Bank, First National Bank of Pasadena, Pasadena National Bank, Merchants National Bank of Los Angeles, First National Bank of Pomona, and First National Bank of Santa

Ana. It is interesting to note that five out of the seven banks were located in the southern part of the state. Their incorporation was undoubtedly due to the influx of easterners, who had been attracted by the land boom in and near Los Angeles and San Diego, and who in eastern communities had been accustomed to transact their banking business with national institutions. Seven new banks were organized during the fiscal year of 1887, seven in 1888, and two in 1889, bringing the total number in operation to 37. In 1894, thirty years after the enactment of the revised national bank law, there were but 34 national banks in the state. During the period of the '90s, there were some withdrawals and some accessions, so that by the close of 1900, there were only 38 national banks in the state, the same number as in 1888. In 1901, there was a revival of interest in the national banking system, continuing down to 1920. In the latter year California had 305 national banks with a capital stock of \$66,005,000, surplus of \$35,330,000, and total resources of \$1,092,956,000. Eight of these banks were located in Los Angeles, eight in San Francisco, and two in Oakland, the remainder being scattered throughout the interior sections of the state. By December 31, 1926, however, owing to the very rapid development of branch banking and the absorption of many national banks by state banking systems, the number of national banks had decreased to 264, twelve of which were in Los Angeles, four in San Francisco, and two in Oakland.

The accompanying table presents in statistical form the important data showing the growth of the national banking system in California from 1871 down to June 30, 1926:

NATIONAL BANKS IN CALIFORNIA

(In thousands of dollars)

Date	No. of Banks	Loans, Etc.	Capital	Surplus	Deposits	Total Assets
1871	1	\$ 852	\$ 1,000	\$	\$ 199	\$ 1,517
1872	3	4,903	2,800	241	3,144	8,068
1873	5	4,443	3,200	150	3,193	9,591
1874	6	6,708	3,500	244	5,406	12,293
1875	9	5,655	4,680	394	3,654	11,648
1876	9	5,462	4,700	347	2,499	9,403
1877	9	5,254	4,300	225	2,985	9,482
1878	9	5,390	4,300	285	3,403	10,070
1879	8	4,568	3,550	317	2,870	8,721
1880	10	5,058	3,150	347	3,873	9,681
1881	11	6,476	3,300	444	6,165	12,794
1882	11	7,690	3,300	519	7,434	13,992
1883	15	8,175	3,550	594	8,124	14,782
1884	15	7,519	3,550	686	6,531	12,840
1885	17	8,198	3,845	783	6,710	13,639
1886	24	12,161	5,385	908	11,215	20,465

Date	No. of Banks	Loans, Etc.	Capital	Surplus	Deposits	Total Assets
1887	33	19,300	6,870	1,027	22,136	34,609
1888	38	19,870	8,175	1,454	18,074	32,791
1889	37	19,838	8,250	1,752	17,154	31,678
1890	37	20,568	8,475	2,179	18,236	33,410
1891	36	21,631	8,425	2,307	18,608	34,881
1892	36	19,413	8,175	2,102	16,714	31,987
1893	35	16,871	8,125	2,250	12,175	26,652
1894	34	17,891	7,775	2,337	14,684	29,031
1895	31	18,848	7,525	2,360	16,361	31,388
1896	31	17,453	7,525	2,536	16,181	31,318
1897	32	19,080	7,560	2,544	18,912	34,813
1898	34	24,661	10,825	3,283	28,977	51,484
1899	35	28,441	10,825	3,413	33,138	59,356
1900	38	33,029	10,998	3,636	35,195	64,417
1901	44	39,361	11,620	3,963	43,898	77,466
1902	49	45,164	12,180	4,531	53,603	92,542
1903	61	64,368	16,030	5,962	69,941	122,432
1904	75	68,761	17,963	7,265	70,567	135,340
1905	95	88,948	23,065	9,854	92,111	181,699
1906	115	127,820	25,265	12,095	130,103	254,243
1907	128	133,076	29,797	15,149	129,192	261,818
1908	143	125,975	33,795	15,206	127,567	262,217
1909	159	158,761	37,484	16,935	155,692	312,167
1910	187	211,072	48,803	24,552	202,533	407,090
1911	204	228,697	52,507	24,734	219,863	441,626
1912	231	262,334	54,521	25,907	256,169	500,466
1913	255	265,867	56,818	27,883	252,666	489,886
1914	262	279,200	57,908	28,512	272,150	508,754
1915	266	271,456	58,193	28,690	287,980	535,821
1916	263	323,038	58,488	28,915	299,994	645,944
1917	270	396,580	59,526	30,306	439,313	751,979
1918	273	429,365	60,066	31,751	449,789	813,454
1919	284	513,334	62,976	32,674	591,096	1,005,914
1920	305	624,677	66,005	35,330	660,926	1,092,956
1921	305	555,099	66,535	36,394	704,423	954,102
1922	296	544,500	65,125	36,910	616,896	956,900
1923	270	596,009	63,263	38,456	664,725	1,026,813
1924	270	531,277	60,252	52,487	731,618	928,932
1925	268	571,392	62,935	36,019	695,245	1,005,903
1926	264	576,374	64,355	32,483	647,994	1,043,878

Under the terms of the Federal Reserve Act, signed by President Wilson on December 26, 1913, and as a result of subsequent amendments to that measure, national banks have been given greatly increased powers and privileges. Reserves against demand and time deposits have been differentiated and greatly reduced. National banks are now permitted to loan upon real estate in both city and county, to accept drafts drawn on them in connection with the financing of domestic and foreign trade, to invest in certain kinds of commercial paper, etc. As a consequence of the granting of these new privileges, it was felt by many authorities in the banking field that there would be a rush of state banks into the national banking system. With the passage of time, however, it has been seen that such has not been the case. From October 21, 1923, to October 17, 1925, 166 national banks gave up their national bank charters to reincorporate under state

charters in various parts of the country. During that same period, 25 national banks in California with total resources of \$136,000,000 gave up their national bank charters. In California, the movement began with the fiscal year of 1920. In 1922, 17 national banks sold their assets to state banks. In 1923, San Francisco had nine national banks. Subsequently the Seaboard National Bank was sold to the Anglo-California Trust Company, the Mercantile National Bank was merged into the Mercantile Trust Company, the Merchants National Bank was merged into the United Bank & Trust Company, the American National Bank took out a state charter as the American Bank, and the Wells Fargo Nevada National Bank merged with the Union Trust Company and became the Wells Fargo Bank & Union Trust Company. In 1926, the First National Bank and the Crocker National Bank merged as the Crocker First National Bank. In the meantime the Pacific National Bank had been organized. As a consequence of these mergers and amalgamations, San Francisco at present has but four national banks, i. e., the Bank of California, N. A., the Anglo & London Paris National Bank, the Crocker-First National Bank, and the Pacific National Bank. Since 1909, the national banks have been gradually slipping in their control of the banking resources of the state. This is evidenced by the following figures: In 1909, the state banks controlled 69 per cent of the bank deposits of California and 63.2 per cent of the capital, surplus and undivided profits of banking institutions. In 1924, these percentages had increased to 72.4 and 65.2 respectively.

As has been noted in the preceding pages, national banks were supposed to be commercial banks. In a short time, however, a number of them began paying interest on deposits, but such deposits had to have the same reserve behind them as did the commercial accounts, and they could be invested only on short time obligations. The Federal Reserve Act changed the requirements, however, and authorized national banks to conduct a *bona fide* savings bank business. In California, the State Bank Act of 1909 made it unlawful for any corporation, association or individual, except a state chartered institution subject to the provisions of the Bank Act, to advertise or put forth a sign as a savings bank. W. R. Williams, who was state superintendent of banks at the time the above change was made by the Federal Reserve Act, maintained that this provision of the State law made it unlawful

for national banks in California to accept, or to advertise for, savings accounts, and threatened court proceedings against any national bank acting in contravention of the State law. The counsel for the Federal Reserve Board and the counsel for the Federal Reserve Bank of San Francisco both maintained that the Federal Reserve Act outranked in authority the State statute, and that it gave national banks the right to advertise for, and to receive, savings accounts regardless of the provisions of the Bank Act of 1909. Many national banks in the state accordingly accepted savings accounts and advertised for them in various ways. In any case in which the action of a national bank was challenged by the state superintendent of banks, the Federal Reserve Bank of San Francisco offered to appear before the court and to defend at its own expense any suit that might be brought against such bank. After a considerable amount of discussion in the press and otherwise, nothing resulted, no suits were filed, and national banks continued to advertise for, and to accept, savings accounts in competition with state banks.

The Federal Reserve Act also authorized national banks to engage in certain trust activities, provided competing state banks had similar powers. National banks, desiring to install trust departments, were required to obtain permission from the Federal Reserve Board and also to follow various detailed regulations imposed by that body. Certain trust powers were authorized by the Federal Reserve Act as originally passed, but in 1918, that law was amended and greatly broadened the field which might be covered by national banks, enabling them to offer their clients a full measure of trust service. Up to August 1, 1926, 2,111 national banks had been authorized to exercise trust functions of one kind or another, and on that date approximately 1,100 were performing them to some degree. Approximately 50 per cent of the national banks so engaged were located in cities and towns of less than 25,000 population. In California, up to December 31, 1925, only 29 national banks had been authorized by the Federal Reserve Board to carry on one or more phases of trust functions under the terms of the Federal Reserve Act. In this state, national banks are compelled to conduct their trust departments, but only so far as court trusts are concerned, under the direct supervision of the state superintendent of banks. On June 30, 1926, the latter official reported that up to that date 28 national banks

had been authorized to accept court trusts under the laws of the State and to make reports directly to him. At that time only 21 of those banks were still in operation, and reported total resources of \$398,159,718.32, and court trusts amounting to \$10,352,-119.40. No data are available as to the extent of their private trusts.

The national banks of California have for the most part been operated upon a safe and conservative basis, the number of failures having been surprisingly small. Down to and including October 31, 1925, 452 national banks had been chartered to operate in California. Eight of that number had consolidated with other national banks, 154 had liquidated for various reasons other than insolvency, and 14 had become insolvent. A record of only 14 national bank failures from 1871 to 1925 (54 years), is truly a most satisfactory showing. Since October 31, 1925, however, there have been four additional failures, making a total of 18 insolvent national banks to date (January 12, 1927). The following table presents the available data concerning those insolvent institutions:

NATIONAL BANK FAILURES

City	Bank	Date of Incorporation	Date of Appointment of Receiver	Claims Proved	Claims Paid
San Francisco.	California National Bank....	Oct. 26, 1886	Jan. 14, 1889	\$ 456,667	\$482,013
San Diego....	California National Bank....	Dec. 29, 1887	Dec. 18, 1891	963,889	405,004
San Diego....	Consolidated National Bank...	Sept. 22, 1883	July 24, 1893	625,304	495,479
Needles....	Needles National Bank.....	Mar. 6, 1893	Jan. 19, 1895	7,288	1,822
San Bernardino	First National Bank.....	July 3, 1886	Jan. 29, 1895	168,796	106,879
Riverside....	Orange Growers National Bank	June 13, 1903	Mar. 23, 1904	552,873	552,873
Oakland....	Union National Bank.....	May 20, 1875	April 14, 1909	376,585	388,797
Santa Rosa ..	Santa Rosa National Bank....	Sept. 15, 1886	Oct. 18, 1918	1,116,657	683,985
Newman....	First National Bank.....	May 25, 1910	Aug. 26, 1920	839,436	415,511
Gridley....	First National Bank.....	Mar. 14, 1918	Jan. 29, 1921	439,651	(2)
Modesto....	California National Bank....	Feb. 23, 1917	April 13, 1921	612,765	529,734
National City.	Peoples National Bank.....	June 21, 1909	Nov. 7, 1921	172,416	(2)
Seeley....	First National Bank.....	Sept. 5, 1913	Jan. 30, 1922	43,717	(2)
Colusa....	First National Bank.....	July 1, 1911	Nov. 22, 1922	484,764	(2)
Riverbank...	First National Bank.....		Dec. 21, 1925 (1)	(2)	(2)
Dinuba....	First National Bank.....		Feb. 24, 1926 (1)	(2)	(2)
Merced....	Farmers & Merchants Natl. Bk.		Sept. 20, 1926 (1)	(2)	(2)
Delano....	First National Bank.....		Jan. 10, 1927 (1)	(2)	(2)

(1) Date of closing.

(2) Receivership not closed.

In addition to the above, it should be noted that the First National Bank of Watts closed its doors on June 20, 1923, but was subsequently restored to solvency. The Corona National Bank was placed in the hands of the national bank examiners on May 29, 1925, but the local business men and the two other local banks provided a sinking fund sufficient to justify the First National Bank of Corona to take over the assets and assume the liabilities of the closed bank. In connection with the above table,

it is interesting to note that but one bank, the Consolidated National Bank of San Diego, was closed during the panic of 1893, although several national banks suspended operations temporarily, and that during the panic of 1907 only one national bank closed its doors, and then only temporarily.

The relation of national banks to the branch banking situation in this state will be discussed in Chapter XXV, devoted to "Branch Banking."

CHAPTER XXII

CALIFORNIA AND THE FEDERAL RESERVE SYSTEM

The national banking system, established during the Civil War period, was based upon banking principles that were extraordinarily progressive and advanced at that time. For fifty years thereafter, the law, which had created it, remained practically unchanged. During that period, however, the United States experienced a rapid industrial expansion, characterized by the development of corporations, the exploitation of our natural resources, the growth of the trust, the search for world markets, and the expansion of foreign trade. A great strain was thus placed upon the national banking system, framed, as it was, to care for a different state of affairs. Many glaring defects became evident. As early as the decade of the '90s, a demand arose among economists and authorities in the banking field for a change. Those progressive souls pointed out that there was a woeful lack of unity among our banks and our various banking systems.

We had forty-eight different state banking laws and one National Bank Act covering approximately 28,000 banks, about one-third of which were under the Federal law. There was no unifying force to tie those banks together. There was no central banking organization or association to act as a protecting agency in time of need. Each and every bank, no matter where it was located, and no matter under what law it was organized, remained an institution with no financial connections with any other bank, except as a correspondent. It was also urged that the system of reserve requirements imposed upon the national banks placed too heavy a burden upon them because of the large reserves required. Furthermore, no distinction was made between demand and savings deposits, or the reserves required for each. The nation's reserves were not mobilized, but were scattered in small amounts in various banks throughout the country, a large proportion being deposited in New York because of the interest paid thereon by the banks of that city.

Seasonal movements of crops created seasonal demands for the return of bank reserves, with the result that financial flurries and monetary stringencies were regular occurrences in the money market. Nor was any provision made for the development of an open discount market or for the establishment of foreign branch banks. Our monetary system contained no element of elasticity, with the result that the amount of money in circulation failed to expand and contract with the requirements of business. Our system of independent unit banks made it possible for our country to be more frequently cursed by financial panics than was the case with other nations. We had no provision for the use of trade or bank acceptances in financing domestic or foreign trade. Nor were we provided with means for regulating the import or export of gold. The Independent Treasury System, established in 1846, which had aimed to make the United States government its own banker, had, during the intervening years, proved to be not only clumsy but also wasteful in the extreme. These, in brief, were the main arguments advanced by the advocates of reform.

But mere arguments for a change were of no avail. It required the serious panic of 1907 to bring things to a head and to force governmental officials and leading bankers to appreciate the necessity of inaugurating a new banking system fully adapted to the needs of the Twentieth Century and of big business. The panic of 1907, primarily financial in character, had been brought about by the inability of our banking and monetary systems to care for the increased demands made upon them by our huge combinations of business and by the growth of foreign trade.

On May 30, 1908, the Aldrich-Vreeland law was passed by Congress. It authorized national banks to protect themselves in times of a crisis by the organization of national currency associations for the purpose of issuing emergency currency upon certain classes of securities other than United States bonds. It also created the National Monetary Commission, composed of members of the Senate and the House of Representatives appointed by the President, and authorized to make a thorough-going investigation of domestic and foreign banking and currency systems, and to recommend needed changes to Congress. The commission spent four years on the task, and in January, 1912, laid before Congress the so-called "Aldrich Plan." The bill embodying the plan in an amended form was referred to a committee of the House of Repre-

sentatives, but was never reported out of the committee room. The Aldrich Plan was discussed rather widely among bankers and, with certain modifications, received the approval of the American Bankers Association. The "National Citizens League for the Promotion of Sound Banking" was organized by a group of progressive bankers and economists to carry on a campaign for the reform of the national banking law somewhat along the lines of the suggested Aldrich Plan. Branches were formed in various parts of the United States. In California, Charles Musaus was put in charge of the work of organization, and was successful in establishing groups in San Francisco, Los Angeles, Fresno, Sacramento, Stockton, San Diego, and other cities. C. H. Bentley, of the California Fruit Cannery Association of San Francisco, was chairman of the Northern California section of the Citizens League and was also a director from California in the national organization. The latter had headquarters in Chicago. Pamphlets and books were published by the league, and lecturers were obtained to deliver addresses before chambers of commerce, women's clubs, commercial organizations, labor unions and other associations for the purpose of bringing home to the people the necessity of a change in the nation's banking and monetary systems.

During the presidential campaign of 1912, both of the leading political parties condemned the Aldrich Plan. The Democratic Party, which was successful in the election of that year, openly declared itself as being opposed to any plan involving a central bank. The need of, and the demand for, certain fundamental changes were so great that, during the long session of Congress, President Wilson took an active personal interest in seeing that something was done to give the nation a more satisfactory banking system. The Aldrich Plan was revived, greatly modified, introduced into the House of Representatives on June 26, 1913, and extensively debated and amended. After several conferences between the Senate and the House of Representatives, a measure, later to be known as the Federal Reserve Act, was finally drafted, approved by the legislative branch of the government, and signed by President Wilson on December 23, 1913.

It is not possible in this place to go into a detailed description of the Federal Reserve banking system. Only a brief summary of its more important provisions can be given. The Federal Re-

serve Act amended in many particulars the old National Bank Act so as to bring its provisions more up to date and in harmony with the demands of the times. It created a Federal Reserve Board, appointed by the President, and clothed with general supervisory powers over the twelve Federal Reserve banks and the member banks. The United States was divided into twelve districts depending upon their financial, commercial and agricultural needs. In each, a Federal Reserve bank was located in the city deemed to be the financial center of the district in question. The Federal Reserve banks are not owned by the Government or operated by it. They are owned by national banks and state banks, known as "member banks." All national banks were compelled to join the Federal Reserve System by subscribing for a certain amount of its capital stock, or else to give up their charter within a year's time. Practically all national banks became stockholding members in the Federal Reserve banks of their respective districts. State banks were permitted to become stockholders if they so desired. Up to the present time, practically all of the larger state banks and a few of the smaller ones, representing approximately 1,200 institutions out of a possible 20,000, have become members. Each Federal Reserve bank operates under the direction of its own board of nine directors, six of whom are chosen by the member banks of the district, while the remaining three are appointed by the Federal Reserve Board. One of these three directors is the immediate representative of the Federal Reserve Board and is designated as the Federal Reserve agent and also as chairman of the board of directors. The Federal Reserve Act thus provided a semi-centralized banking system, the banking activities of each district being grouped around its own Federal Reserve bank.

Provision was made for the mobilization of the reserves of member banks in the Federal Reserve bank of the district. Savings and demand deposits were differentiated. Reserves against each were greatly reduced in amount. Elasticity was given to our monetary system by the creation of a new form of currency, known as the Federal Reserve note, secured at present by a minimum of 40 per cent of gold and 60 per cent of rediscounted commercial paper. Federal Reserve notes are issued by the Federal Reserve Board at Washington to any Federal Reserve bank upon security advanced by the latter. Federal Reserve banks are also

authorized to issue Federal Reserve bank notes, similar in practically all details to the national bank notes. Pyramiding of reserves has been made impossible by the requirement that reserves of member banks must be kept only in the Federal Reserve bank of the district. Foreign branch banking is now permitted, an open discount market has been created, and trade and bank acceptances have been legalized and their use encouraged. The Federal Reserve banks now act as the fiscal agents of the National Government. The Independent Treasury System was abolished in 1920.

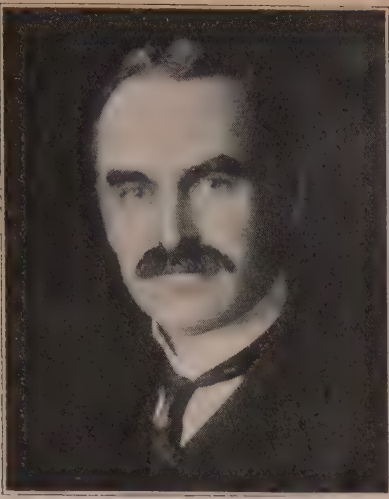
All in all, the creation of the Federal Reserve System was the most progressive step ever taken by the United States in the realm of banking legislation. Almost a year was consumed in making preparations for its establishment. Owing to the serious situation created by the declaration of the European war in August, 1914, it was deemed advisable to hasten the opening of the Federal Reserve banks, with the result that on November 16, 1914, the twelve institutions began operations simultaneously.

The Twelfth Federal Reserve District comprises the states of California, Oregon, Washington, Idaho, Nevada, Utah, and all but a small portion of the western section of Arizona. It covers a territory of 716,499 square miles, which in 1914 had a population of about 6,044,295, served by 1,726 banks having resources of \$1,965,755,000. Only 529 of those banks were members of the national banking system. San Francisco was selected as the city in which to establish the Federal Reserve Bank of the Twelfth District.

On May 12, 1914, representatives from practically all of the clearing houses in the Twelfth Federal Reserve District assembled in the rooms of the San Francisco Chamber of Commerce for the purpose of discussing plans relative to the establishment of the Federal Reserve Bank of San Francisco. The meeting had been called at the suggestion of the clearing house associations of San Francisco and Los Angeles. Representatives were present from Los Angeles, Portland, San Diego, Fullerton, Salt Lake City, Reno, Seattle, Spokane, Pasadena, Stockton, Bakersfield, Fresno, Oakland, Merced, Auburn, Richmond and Tacoma. James K. Lynch, chairman of the Clearing House Association of San Francisco, called the meeting to order. A number of speeches were made and various questions were actively debated. It was finally

decided that the six directors of the Federal Reserve Bank of San Francisco, to be elected by the member institutions, should reside within a six hours' ride of San Francisco. Fifty representatives from banks located within this area attended a second meeting in San Francisco on May 20. There were also present the representatives of the five banks which had been selected to apply for the incorporation of the Federal Reserve Bank of San Francisco. Those five banks were as follows: The Phoenix National Bank, of Phoenix, the First National Bank of San Francisco, the First National Bank of Portland, the Deseret National Bank of Salt Lake City, and the National Bank of Commerce of Seattle. Nominations of directors were made and the following Class A directors, representing the large banks, the medium size banks and the small banks respectively, were selected: C. K. McIntosh, vice president, Bank of California, N. A., San Francisco; James K. Lynch, vice president of the First National Bank of San Francisco; Alden Anderson, president of the Capital National Bank of Sacramento. The directors for Class B, representing the commercial, agricultural and industrial interests of the district, chosen by the large banks, the medium sized banks and the small banks, were respectively A. B. C. Dohrmann, vice president Nathan-Dohrmann Company of San Francisco; J. A. McGregor, president Union Iron Works, San Francisco; and Elmer H. Cox, Madera Flume & Trading Company. Class C directors appointed by the Federal Reserve Board were John Perrin of Pasadena, Federal Reserve agent and chairman of the board of directors; Claude Gatch, deputy Federal Reserve agent, San Francisco; and James E. Peabody, Seattle.

Each Federal Reserve bank was required to start with a capital stock of at least \$750,000. On November 16, 1914, the opening day, the Federal Reserve Bank of San Francisco had on hand about \$12,221,000 in lawful money. The board of directors of the bank held its first meeting on October 12, 1914, and continued in session during the two succeeding days. Archibald C. Kains was chosen to be the first governor of the Federal Reserve Bank of San Francisco. The governor has the duties of a general manager and sits with the board of directors, but is not a member thereof. Mr. Kains had, as a young man, entered the employ of the Canadian Bank of Commerce and had gradually worked up through the ranks of inspector, superin-



(Courtesy, Coast Banker)

ARCHIBALD C. KAINS
Governor, 1914-1917



(Courtesy, Coast Banker)

JAMES K. LYNCH
Governor, 1917-1919



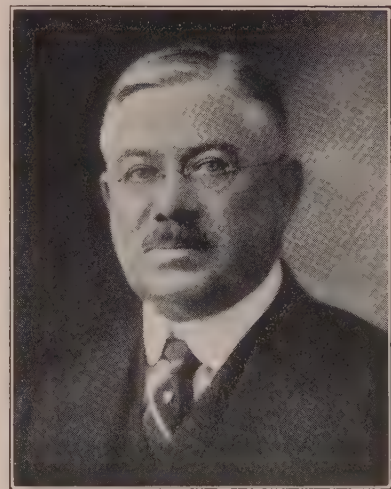
(Courtesy, Coast Banker)

JOHN U. CALKINS
Governor, 1919—



(Courtesy, Coast Banker)

JOHN PERRIN
Federal Reserve Agent, 1914-1926



(Courtesy, Coast Banker)

ISAAC B. NEWTON
Federal Reserve Agent, 1926—

OFFICERS, FEDERAL RESERVE BANK OF SAN FRANCISCO

tendent of branches, and manager of branches. He had been manager of the San Francisco branch for some years before being chosen examiner for the Clearing House Association of San Francisco, which position he held at the time of his selection as governor of the Federal Reserve Bank. John Perrin, the Federal Reserve agent and chairman of the board of directors, had obtained his banking experience in his father's bank at Lafayette, Ind. A graduate of Yale University, he progressed rapidly in the banking field, later organizing the American National Bank of Indianapolis, which became one of the outstanding banks of that city. He retained its presidency for many years, later coming to California, to reside at Pasadena, because of the serious illness of a son. In 1912, he organized the bond and investment house of Perrin, Drake & Riley of Los Angeles, with which business he was connected at the time of his selection as Federal Reserve agent. Mr. Perrin resigned on March 31, 1926, and was succeeded by Isaac B. Newton of Los Angeles. Mr. Newton had been actively identified with many of the larger business enterprises in Southern California and from 1890 to the time of his appointment as Federal Reserve agent, had been connected with several of the outstanding banking houses of Los Angeles, as well as a director of many of the large corporations with headquarters in that city. He had served as a member of the Board of Directors of the Los Angeles Branch of the Federal Reserve Bank, and was therefore intimately in touch with Federal Reserve practices. He was born at Norwich, New York, September 7, 1861, and graduated from Yale University in 1883, arriving in California in 1884. Claude Gatch, the deputy Federal Reserve agent, had previously been one of the outstanding national bank examiners of the district. John C. Bordwell, of the First National Bank of San Francisco, was appointed to install the bank's system of accounts. Mr. Bordwell subsequently resigned to accept a position with the Bank of Italy.

Mr. Kains resigned in the summer of 1917 to accept the presidency of the American Foreign Banking Corporation of New York, which had been organized by a number of prominent financial institutions to engage in foreign financing. He was succeeded by James K. Lynch on August 13, 1917. Mr. Lynch had taken an active part in the organization of the Federal Reserve Bank and was familiar with the affairs of that institution. He

had been president of the California Bankers Association, president of the American Bankers Association, and president of the San Francisco Clearing House Association. He was known as a capable executive, progressive yet conservative, a student of banking theory and practice, and a recognized leader among the bankers of the country. He was born in San Francisco in 1859, and entered the employ of the First National Bank of that city at twenty years of age. He had filled practically every position in that institution. During his career he had been connected with all prominent movements for the betterment of banking, not only in California but also in the United States. He died April 28, 1919. The *Coast Banker* expressed the sorrow of the banking profession when it paid him the following eulogy:

"When James K. Lynch laid down his life the world lost a great man. Simplicity, unselfishness, honor, integrity, industry, progressiveness were his distinguishing characteristics. He was a patriot and server of his country. In business he was constructive, helpful, and charitable. He scorned deceit and hypocrisy, and yet he did not condemn absolutely people for their frailties. He was modest even to the point of timidity, although he was a great man.

"In the home he was a lovable husband and father; in the City of San Francisco he was a constructive business leader; in the nation as head of the American Bankers Association he did much to lead the bankers of the country in the right way, and the address he made at the Kansas City convention has ever since been regarded as one of the great expositions of financial philosophy in the literature of that association.

"They who knew Mr. Lynch best loved him most. Recipients of his friendship abound on every hand, and the light of happiness glows more brightly in many a household because of the practical evidences of friendship which he extended. All that we can say of him is good. His kindly nature, his modest demeanor, his tender voice, all united to make him the recipient of friendship, and made for him a place in the hearts of men.

"If it is true that the good which men do lives after them, the soul of James K. Lynch will live in the world of finance, in the hearts of business men, and in the life of the home circles of the Pacific Coast for all time."

Russell Lowrie was selected as deputy governor of the bank. In 1916, he resigned to become president of the First National Bank of Oakland, was later made vice president of the American Bank of San Francisco, and upon the death of P. E. Bowles, its

president, was appointed to be the executive vice president of the latter institution. When the American Bank merged with the Mercantile Trust Company to form the American Trust Company, Mr. Lowrie became one of the vice presidents of the latter bank. John U. Calkins succeeded James K. Lynch as governor of the Federal Reserve Bank. He had begun as messenger in the Union National Bank of Chicago, remaining with that institution for five years. While still a young man, he removed to California, where he entered the employ of the Bank of California. In 1903, he resigned to become cashier and managing officer of the University Savings Bank of Berkeley, and later was made the manager of the Mechanics Savings Bank of San Francisco. He became paying teller of the Federal Reserve Bank of San Francisco in November, 1914, and in January, 1916, succeeded Russell Lowrie as deputy governor of the Federal Reserve Bank. Three years later he was made governor, and has held that position to date.

The Federal Reserve Act called for the appointment of a Federal Advisory Council, the board of directors of each Federal Reserve bank choosing a representative from the district to meet with other similar representatives for the purpose of making recommendations and suggestions to the Federal Reserve Board as to Federal Reserve operations. Archibald C. Kains was the first member of the advisory council selected from the Twelfth Federal Reserve District, but was subsequently succeeded by Herbert Fleishhacker, president of the Anglo & London Paris National Bank of San Francisco. Mr. Fleishhacker served until 1918, when he was replaced by A. L. Mills, president of the First National Bank of Portland, Ore. D. W. Twohy, president of the old National Bank of Spokane, Wash., succeeded Mr. Mills upon the resignation of the latter on October 11, 1921. Henry S. McKee, president of Parker Brothers, Los Angeles, Cal., formerly a prominent banker of that city, was appointed to the advisory council in 1924.

The Federal Reserve Bank of San Francisco began operations in rather cramped quarters, which, within a very short time, were found to be altogether too small for its use. It subsequently erected a beautiful six-story loft building, which it occupied in 1923.

The Federal Reserve Bank had not been operating for very many months before it realized that the Twelfth District was a

territory of long distances, and that something would have to be done to provide branches to take care of the requirements of the outlying territory. On April 3, 1917, a conference was held between the officials of the bank, representatives of the clearing houses of Portland, Seattle and Spokane, and A. C. Miller of the Federal Reserve Board. At that conference it was decided to open three branches in the northern part of the district for the purpose of providing facilities for a more efficient check collection and discounting procedure. The branch at Spokane was opened on July 26, that at Seattle on September 19, and that at Portland on October 1, 1917. A fourth branch was opened at Salt Lake City on April 18, 1918, and a fifth at Los Angeles on January 2, 1920. These branches operate under a local board of directors, a majority of whom are chosen by the directors of the Federal Reserve Bank of San Francisco, while the remainder are appointed by the Federal Reserve Board.

As was stated in one of the earlier paragraphs of this chapter, the most fundamental idea behind the organization of the Federal Reserve System was the unification of all of the banks in the United States. It was hoped that all state banks would find it to their advantage to join as members. National banks were compelled to become stockholders in the Federal Reserve bank of their respective districts or abandon their charters. Practically all national banks became members. State banks for the most part evidenced no interest in the matter of membership, although a few of the larger state banks in the more important cities joined during the first two years. When we entered the Great War, a real need was felt for the mobilization of the gold holdings of the country. A special plea was made by the Federal Reserve Board and the President of the United States to all state banking institutions to show their patriotism by becoming members of the Federal Reserve System, and thus aid in mobilizing the nation's credit facilities. There was but slight response to this appeal. The Federal Reserve Act was modified in some particulars, and the Federal Reserve Board changed some of its regulations, but even up to December 21, 1926, only a mere handful of state banks (1,379) have become affiliated with the Federal Reserve System as members. Those that have done so are for the most part the larger banks of the country, but their inclusion gives the Federal Reserve System control over approximately 70 per cent or more of all of the banking resources of the nation.



FEDERAL RESERVE BANK, SAN FRANCISCO

The State Legislature of California was one of the first legislative bodies to pass a law permitting state banks to become affiliated with the Federal Reserve System. In fact, in the spring of 1913, almost a year before the Federal Reserve Law was passed, the State Legislature authorized state banks to become members of any future Federal banking system which might be devised. The measure was couched in most general terms, but nevertheless showed the kindly attitude of the California legislators toward any progressive banking system that might be adopted by Congress. While the Federal Reserve Bank of San Francisco was being organized, an appeal was made to the state banks to join the Federal Reserve System. None did so, however, until 1918.

The reason for this apparent lack of interest was due to the fact that the Bank Act of California had not been modified in any particular so as to make it advisable or profitable for state banks to join the system. A state bank, which became a member of the Federal Reserve Bank of San Francisco, was handicapped by having to conduct its operations under the restrictions of the Bank Act of 1909 as well as those of the Federal Reserve Act. The greatest obstacle lay in the matter of reserve requirements. The Bank Act of 1909 was so worded as not to permit state banks, upon becoming members, to have the reserve requirements of the Federal Reserve Act displace those of the State law, with the result that a state bank entering the Reserve System was compelled to keep double reserve requirements. In spite of that fact, however, four of the smaller banks of the state, representing less than 1 per cent of the banking resources of California, became members in 1918. The Farmers & Merchants Bank of Stockton was the first to apply, and was followed by the San Fernando Valley Savings Bank, the Bank of Santa Monica and the A. Mierson Banking Company of Placerville. In 1915, the State banking law was modified to a very slight extent so as to permit state banks to become members of the Federal Reserve Banking System, but the law still required that state banks could exercise no powers in conflict with the laws of California and should remain subject to all of the liabilities and duties imposed by such laws.

When the plea was made in 1917 that the state banks should join the Federal Reserve System so as to aid in the mobilization of the gold resources of the nation, the Legislature permitted

the superintendent of banks to waive any penalty for violation of reserve requirements so far as the so-called gold reserves were concerned. In 1917, the banks of Los Angeles took the initiative in calling a conference with San Francisco and Oakland banks to see if something could not be done to bring about a change in the State Bank Act, so as to make it possible for membership in the Federal Reserve System to be obtained upon a more satisfactory basis. They especially desired that the California banks, upon becoming members of the Federal Reserve System, be permitted to carry only the reserves required by the terms of the Federal Reserve Act. Banks with deposits of approximately \$500,000,000 were represented at the conference. A committee was appointed to visit Washington and confer with the Federal Reserve Board, but the Federal Reserve Board was helpless to act under the circumstances. Finally in 1919, the State Legislature modified the California Bank Act so as to permit state banks, upon becoming members of the Federal Reserve System, to deposit their full reserves with the San Francisco Federal Reserve Bank in accordance with the terms of the Reserve Act. This law became effective July 22, 1919. Immediately an announcement was made that eleven state banks had filed application for membership or had given notice of their intention to do so. They were as follows:

<i>San Francisco</i>	Resources
Bank of Italy -----	\$107,506,000
French-American Bank of Savings -----	13,634,000
San Francisco Savings & Loan Society -----	60,509,000
Italian-American Bank -----	11,245,000
Savings Union Bank & Trust Company -----	45,462,000
<i>Los Angeles</i>	
Guaranty Trust & Savings Bank -----	28,216,000
Los Angeles Trust & Savings Bank -----	31,002,000
Security Trust & Savings Bank -----	62,634,000
<i>St. Helena</i>	
Bank of St. Helena -----	754,000
<i>Santa Monica</i>	
Ocean Park Bank -----	1,053,000
<i>San Diego</i>	
Southern Trust & Commerce Bank -----	10,437,000
Total -----	\$377,452,000

The total resources of the above banks amounted to about one-third of those of all the state chartered banks in California. The Bank of Italy had made its application in advance, qualifying and becoming a member on the first day that the law became effective. By the close of 1919, 22 of the state's largest banks, representing 41 per cent of the state banking resources, had become members of the Federal Reserve Bank of San Francisco. This number was increased to 39 in 1920, and to 53 in 1921, but decreased to 45 in 1922, 43 in 1923, 37 in 1924, 33 in 1925, and 31 on December 31, 1926. This decrease from 53 state banks in 1921 to 31 state banks in 1926, was due to consolidations and mergers resulting from the development of the large branch banking systems in the state. On December 31, 1926, the total resources of state chartered California banks in the Federal Reserve System were \$1,614,851,000, as compared to \$1,191,098,000 for all national banks in California.

As stated above, one of the fundamental reasons for the inauguration of the Federal Reserve System was the desire to provide the Federal government with a more satisfactory fiscal agency than had been possible under the Independent Treasury System established in 1846. The Federal Reserve banks were not only made the depositaries of the money of the United States government, but they were also designated as its fiscal agents, authorized to float loans, make collections, and to act in other similar capacities for the Federal government. The first supreme test of the Federal Reserve banks in their capacity as fiscal agents came in the sale of governmental securities during the early days of the European War. The various Liberty loans and the Victory Loan, as well as the sale of millions of dollars worth of Certificates of Indebtedness and War Savings Stamps, were handled through those institutions. In every instance the Federal Reserve Bank of San Francisco more than lived up to the requirements placed upon it. The first meeting, held under the direction of the Federal Reserve Bank of San Francisco in connection with the First Liberty Loan, took place on May 15, 1917. The Government had assigned to the San Francisco bank a minimum quota of \$140,000,000 and a maximum quota of \$175,000,000. Within a month's time over \$175,623,000 of the First Liberty Loan Bonds had been subscribed in the Twelfth District under the direction of the Federal Reserve Bank of San Francisco. The story of the

flotation of the Second Liberty Loan tells a similar tale. A minimum quota of \$210,000,000 was assigned to the Twelfth Federal Reserve District. From August 20 to October 27, 1917, subscriptions were received for over \$292,889,000 worth of Second Liberty Loan Bonds. The quota assigned to the Twelfth Federal Reserve District for the Third Liberty Loan was \$210,000,000, and for the Fourth Liberty Loan \$412,000,000. The Federal Reserve Bank of San Francisco, working through its capable committees, obtained subscriptions of \$287,975,000 for the Third Liberty Loan, and \$462,250,000 for the Fourth Liberty Loan. After the conclusion of the Great War, the Government called upon the Federal Reserve banks to float the Victory Loan Bonds. Again the Federal Reserve Bank of San Francisco and the bankers of the Twelfth Federal Reserve Bank District arose to meet the situation most patriotically and obtained subscriptions for \$318,675,150 of Victory Loan Bonds, although only \$294,905,050 of that amount was allotted to the Twelfth District. All of these campaigns, as well as those concerned with the sale of United States Certificates of Indebtedness, Treasury Certificates, and War Savings Stamps, were carried on most successfully owing to the remarkable spirit of coöperation of bankers and public, and the fine patriotism of the citizens of the Twelfth District. Since 1919, the Federal Reserve Bank of San Francisco has not been subject to such extraordinary demands on the part of the Government, but has in various ways taken care of certain of the financial needs of the United States.

One of the demands made upon the framers of the Federal Reserve Act was that exchange charges on check collections should be eliminated. Merchants in the United States were compelled to pay millions of dollars annually in exchange charges, and naturally insisted that something be done to remove that abuse. After some experimentation with the voluntary check collection system, the Federal Reserve Board introduced a system of compulsory check collections on July 15, 1916. Member banks were permitted to collect checks in any method that they wished, but were required to remit at par for all checks received by them through the mails from their Federal Reserve Bank. State banks were allowed to become members of the check collection system without becoming stockholders in the Federal Reserve Bank of their district. All that the state banks had to do was to agree

to remit at par for all checks drawn on them and sent to them through the mails by the Federal Reserve Bank of their district. A great deal of educational propaganda was carried on for the purpose of trying to induce all banks to enter the Federal Reserve check collection system. At present all but about 3,000 banks are included therein. In California, all state and national banks are members of the check collection system. During 1926, the Federal Reserve Bank of San Francisco collected checks totalling \$15,627,527,000.

A system of telegraphic transfers was also inaugurated by the Federal Reserve banks, whereby member banks were permitted to transfer funds free of charge to other member banks by means of the leased telegraph wire of the Federal Reserve banks. This system of transfers has practically abolished the domestic exchange market. The extent to which it has been availed of by the member banks of the Twelfth District is disclosed by the fact that, during 1926, a total of \$9,782,879,000 in telegraphic transfers was sent out from and received by the offices of the Federal Reserve Bank of San Francisco and its branches.

Federal Reserve banks are also authorized to rediscount commercial paper of certain kinds for member banks. They are also authorized to make loans to member banks. It required a great deal of educational propaganda and the passage of time to induce American bankers to become accustomed to the practice of rediscounting. From November, 1914, to November, 1915, inclusive, the Federal Reserve Bank of San Francisco rediscounted only \$8,090,693 of commercial paper for its members. For the calendar year 1926, however, the Federal Reserve Bank of San Francisco rediscounted paper to the extent of \$94,912,000 for its member banks, and loaned them an additional \$2,323,119,000.

The Federal Reserve Act also authorized the issuance of Federal Reserve bank notes, similar in character to the national bank notes, and Federal Reserve notes, secured in part by gold and in part by rediscounted paper. The latter kind of currency was supposed to supply the elasticity needed in our monetary system. Very few Federal Reserve bank notes have been issued by the Federal Reserve Bank of San Francisco. On December 31, 1919, \$11,844,905 of those notes were in circulation, due primarily to the terms of the Pittman Silver Purchase Law, passed as an emergency measure during the Great War. Practically

all of that amount was retired during 1920-21. The Federal Reserve Bank of San Francisco was fairly slow in putting Federal Reserve notes in circulation. On November 30, 1915, it had only \$4,370,000 outstanding. By December 31, 1920, that amount had increased to \$313,144,070, but by December 31, 1926, it had decreased to \$187,109,150.

The stock of Federal Reserve banks pays a 6 per cent cumulative annual dividend to member banks. The Federal Reserve Bank of San Francisco, during the first two years of its existence, had difficulty in obtaining the necessary business to enable it to pay the required dividends. During 1916, some partial dividends were paid for 1914 and 1915, but by December 31, 1917, all dividend charges had been met. In 1924, the Federal Reserve Bank of San Francisco incurred a slight deficit and had to draw \$230,045 from its surplus funds in order to pay the required 6 per cent dividend. No difficulty, however, was encountered in meeting the dividends of 1925 and 1926.

The Federal Reserve banks also act as redemption bureaus for the United States government, receiving and counting coins and various kinds of paper money. In 1925, the Federal Reserve Bank of San Francisco received and counted 98,574,000 pieces of paper money, totaling \$782,218,000. It also received and counted 54,425 coins, totaling \$31,063,000. In 1926, 111,583,000 pieces of paper money (\$881,019,000) and 79,311,000 coins (\$42,428,000) were received and counted.

A very busy and helpful institution is the Federal Reserve Bank of San Francisco, without which the banks of the Pacific Coast would have been greatly handicapped during the period of the World War and the subsequent period of deflation.

CHAPTER XXIII

LABOR BANKS IN CALIFORNIA

Since the establishment of the Federal Reserve Banking System, there has been no more spectacular development in banking circles than the organization of labor banks. The first institution of this character was formed on May 15, 1920. In a period of a little more than six years the movement grew so rapidly that by August, 1926, there were thirty-seven such institutions in operation in the United States, owned or controlled by labor interests, with individual resources ranging from \$200,000 to nearly \$27,000,000, and aggregating approximately \$120,000,000. In August, 1926, there were also nine investment corporations owned and controlled by Organized Labor, with an aggregate capital stock of over \$30,000,000. New labor banks are being planned and established in various parts of the United States. Organized Labor has become a banker, "operating successfully, making money collectively and individually, converting its constituency into investors and through its collective investing power sitting at the table with capital in its most concentrated forms, and finding capital not only not aloof, but generally friendly."

The first organized labor group to take the initiative in this new field of endeavor, was the International Association of Machinists, which acquired a 50 per cent interest in the Mount Vernon Savings Bank of Washington, D. C., and opened it as a labor bank on May 15, 1920. About six months later, the Brotherhood of Locomotive Engineers, with headquarters in Cleveland, Ohio, established the Brotherhood of Locomotive Engineers Coöperative National Bank in that city. Within six years the Brotherhood of Locomotive Engineers came to own twelve banks, located in various parts of the United States, with a total capital

stock of over \$4,000,000, with deposits of more than \$40,000,000, and with total resources in excess of \$48,000,000. It also controlled seven investment corporations, with a total combined capital of about \$25,000,000.

The positive influence that might possibly be exerted by Organized Labor in the field of the nation's finance, is evidenced by the statement of a prominent statistician to the effect that the employes of the New England railroads would be able to obtain control of the common stock of those lines by investing approximately \$80 each in sixteen shares of railroad stock. Dr. Walter F. McCaleb, who was at one time vice chairman of the Federal Reserve Bank at Dallas, and who also served for two years as the first manager of the Brotherhood of Locomotive Engineers Co-operative National Bank at Cleveland, made the following statement some years ago to a group of railroad employes in Minnesota:

"The workers of this country must obtain control of the financial government, which means control of credit. Can they do it? Easy! If 20,000,000 workers were each to save \$1 a week and regularly deposit this money in their own institutions, this whole civilization of ours would be changed within five years. And I predict it will be changed * * * by the workers getting control of credit * * * if not within five years, at least within a decade."

Many of the labor banks which have been established are owned to the extent of 100 per cent by labor unions; others are 100 per cent controlled by individuals who are members of labor unions; while a few have their stock held in part by unions, in part by union members, and in part by men and women outside of the labor movement who are sympathetic with the ideals of Organized Labor. The American Federation of Labor thus far has not officially gone on record as favoring the establishment of labor banks. Its attitude has been cautious, but presumably sympathetic. State federations of labor and city labor councils have also been slow to enthuse over the organization of such financial institutions.

The following table presents the status of labor banks in the United States as of August, 1926:

Name of Bank	Location	Date of Opening	Organizing or Controlling Body	Capital	Surplus and Profits	Total Deposits	Total Resources
Mount Vernon Savings Bank.....	Washington, D. C.	May 15, 1920	Machinists	\$ 160,000	\$ 144,208	\$ 4,237,408	\$ 4,825,216
Brotherhood of Locomotive Engineers	Cleveland, Ohio	Nov. 1, 1920	Brotherhood Locomotive Engrs.	1,000,000	350,645	23,790,510	26,760,228
Cooperative National Bank.....	Tucson, Ariz.	Feb. 1, 1921	Labor Groups	70,000	1,512	503,781	575,292
United Bank & Trust Company.....	Hammond, Ind.	Oct. 17, 1921	Brotherhood Locomotive Engrs.	100,000	25,124	1,606,695	1,779,413
Peoples Cooperative State Bank...	Nottingham, Ohio	Apr. 27, 1922	Brotherhood Locomotive Engrs.	75,000	6,648	743,685	836,585
Nottingham Savings & Banking Co.	San Bernardino, Calif.	May 5, 1922	Labor Groups—Railroads	175,000	33,221	1,796,215	2,005,436
San Bernardino Valley Bank.....	Chicago, Ill.	July 1, 1922	A. C. W. of A.	200,000	155,555	3,102,215	3,484,183
Amalgamated Trust & Savings Bank.							
Transportation Brotherhoods National Bank	Minneapolis, Minn.	Dec. 18, 1922	Bro. Loc. Engineers, Bro. Loc. Firemen & Enginemen, Bro. of Rhd. Trainmen & Order of Rlwy. Conductors	200,000	43,570	2,089,606	2,420,886
Amalgamated Bank of New York....	New York City	Apr. 14, 1923	A. C. W. of A.	300,000	197,104	7,141,584	7,746,606
Labor National Bank of Montana...	Three Forks, Mont.	Apr. 23, 1923	Brotherhood Locomotive Engrs.	25,000	9,116	144,349	178,465
Federation Bank & Trust Company of New York (3).....	New York City	May 19, 1923	Labor Groups	750,000	987,245	15,441,485	17,805,692
Telegraphers National Bank.....	St. Louis, Mo.	June 9, 1923	Order of Railroad Telegraphers	500,000	137,026	5,860,636	6,775,801
Brotherhoods Cooperative National Bank (2)	Spokane, Wash.	Aug. 1, 1923	Brotherhood Locomotive Engrs.	200,000	74,444	2,577,767	3,060,429
Brotherhood Savings & Trust Co....	Pittsburgh, Pa.	Aug. 25, 1923	Railroad Unions	161,600	8,467	548,097	748,049
Brotherhood of Railway Clerks National Bank	Cincinnati, Ohio	Dec. 15, 1923	Bro. Rlwy. & Steamship Clerks, Freight Handlers, Express & Station Employees	200,000	50,000	3,811,756	4,271,567
United Labor Bank & Trust Company	Indianapolis, Ind.	Jan. 2, 1924	Labor Groups	225,000	13,521	782,830	1,025,223
International Union Bank.....	New York City	Jan. 5, 1924	Needle Trades	250,000	205,500	3,561,346	4,069,086
First National Bank in Bakersfield (4)	Bakersfield, Calif.	Feb. 2, 1924	Labor Groups	100,000	31,972	1,376,612	1,508,584
Labor National Bank.....	Great Falls, Mont.	Apr. 3, 1924	Labor Groups	100,000	14,147	439,024	553,392
Farmers & Workmen's Savings Bank	Jackson, Mich.	Apr. 10, 1924	Railroad Labor Unions	100,000	15,205	764,127	880,712
The Peoples National Bank of Los Angeles (1)	Los Angeles, Calif.	Apr. 26, 1924	Labor Groups	500,000	70,000	3,192,675	3,878,102
Brotherhood Locomotive Engineers National Bank	Boston, Mass.	May 24, 1924	Brotherhood Locomotive Engrs.	500,000	66,141	3,436,789	4,129,929
Brotherhood State Bank.....	Kansas City, Kan.	Sept. 2, 1924	Incl. Bro. Boiler Makers, Iron Ship Builders and Helpers, Bro. of Rlwy. Carmen, Coopers' Incl. Union	100,000	13,457	658,966	772,424

FINANCING AN EMPIRE

Name of Bank	Location	Date of Opening	Organizing or Controlling Body	Capital	Surplus and Profits	Total Deposits	Total Resources
Labor Cooperative National Bank....	Paterson, N. J.	July 26, 1924	Labor Groups	200,000	100,000	3,781,897	4,244,473
Brotherhood Cooperative National Bank of Portland.....	Portland, Ore.	Jan. 3, 1925	Brotherhood Locomotive Engrs.	200,000	50,000	1,875,126	2,327,205
Brotherhood Locomotive Engineers Bank & Trust Company (5).....	Birmingham, Ala.	Feb. 2, 1925	Brotherhood Locomotive Engrs.	500,000	72,576	1,419,874	1,995,690
Brotherhood State Bank.....	Hilly d, Spokane, Wash.	Mar. 9, 1925	Brotherhood Locomotive Engrs.	25,000	5,662	190,423	221,417
Brotherhood Locomotive Engineers Title & Trust Company.....	Philadelphia, Pa.	Apr. 18, 1925	Brotherhood Locomotive Engrs.	500,000	252,623	1,134,074	1,891,705
Labor Cooperative National Bank (6)	Newark, N. J.	June 27, 1925	Labor Groups (including 68 local unions)	250,000	125,000	2,119,457	2,544,732
Brotherhood Cooperative National Bank.....	Tacoma, Wash.	July 1, 1925	Brotherhood Locomotive Engrs.	200,000	40,000	2,492,184	2,929,339
The American Bank.....	Toledo, Ohio	July 6, 1925	American Flint Glass Workers	200,000	50,000	509,357	721,393
Brotherhood Bank & Trust Company.....	Seattle, Wash.	Aug. 1, 1925	Brotherhood Locomotive Engrs.	250,000	41,663	886,639	1,178,352
Labor Bank & Trust Company.....	Houston, Texas	Nov. 16, 1925	Labor Groups	100,000	10,372	323,741	436,114
Hawkins County Bank (7).....	Rogersville, Tenn.		International Printing Pressmen and Assistants Union	50,000	58,561	507,155	615,716
Labor National Bank of Jersey City.....	Jersey City, N. J.	June 28, 1926	Central Union & Building Trades Council of Hudson Co.	200,000	69,882	419,039	714,364
Brotherhood of Locomotive Engineers Bank	Buffalo, N. Y.		Brotherhood Locomotive Engrs.	500,000			
Brotherhood National Bank.....	San Francisco, Calif.		Brotherhood Locomotive Engrs.	500,000			
Total number of banks, 37.				\$9,666,600	\$3,430,167	\$103,269,964	\$119,954,900
Banks Partially Controlled by Labor							
Commercial National Bank.....	Washington, D. C.		Machinists (largest individual stockholder)	\$1,000,000			\$17,574,720

1. People's Mortgage Company is controlled in conjunction with this bank.

2. All the Transportation Brotherhoods are interested in the control of the banks in Portland, Ore., and Spokane and Tacoma, Wash., but control is vested in Pacific Brotherhood Investment Company.

3. Federation Bank of New York took on functions of Trust Company, January, 1926.

4. Agency in East Bakersfield.

5. Statement of condition as of March 12, 1926.

6. Statement of condition as of June 28, 1926.

7. Statement of condition as of April 12, 1926.

The data concerning labor-owned or labor-controlled investment companies of the United States, for August, 1926, are as follows:

LABOR INVESTMENT COMPANIES

Name of Bank	Location	Controlling Body	Capital
Brotherhood Holding Company.....	Cleveland, Ohio	Locomotive Engineers	\$ 1,000,000
Brotherhood Investment Company.....	Cleveland, Ohio	Locomotive Engineers	10,000,000
Pacific Brotherhood Investment Company.....	Portland, Ore.	Locomotive Engineers	4,000,000
New York Empire Company, Inc.....	New York City	Locomotive Engineers	500,000
Brotherhood of Locomotive Engineers' Securities Corporation of New York.....	New York City	Locomotive Engineers	3,000,000
Southern Brotherhood of Locomotive Engineers' Securities Corporation	Birmingham Ala.	Locomotive Engineers	2,000,000
Brotherhood of Locomotive Engineers' Securities Corporation of Pennsylvania	Philadelphia, Pa.	Locomotive Engineers	3,000,000
Dispatchers' Investment Company.....	Chicago, Ill.	Train Dispatchers	2,500,000
Union Labor Investment Company, Corporation.....	Jersey City, N. J.	Labor Groups	5,000,000
Total companies, 9.			\$31,000,000

Many persons outside of the labor movement feared that if labor should ever enter the banking field, the resources of the labor banks would serve as war chests to care for the needs of the union members in carrying on strikes against employers. It was also thought that sentiment would undoubtedly play a large part in deciding how funds should be loaned to customers. Thus far, however, there have been but few instances where such fears appear to have been justified. In New York City, during a building trades controversy, the Federation Bank & Trust Company financed contractors who were sympathetic to Organized Labor and who were being handicapped in their business operations by the advocates of the open shop. During the miners' strike in 1922, the Brotherhood of Locomotive Engineers Coöperative National Bank at Cleveland took over six mines in the West Virginia and Kentucky fields, and gave employment to a number of striking union mine workers. At another time, this bank invested in the bonds of the State of South Dakota for the purpose of financing the economic program of the Non-Partisan League. For the most part, however, labor banks have been conducted in a most conservative manner. Experienced bankers have usually been called in to take charge of their management. Labor banks have been consistently operated along lines similar to those followed by other banking institutions. Thus far, there have been but three failures recorded. On May 4, 1925, a labor bank in Philadelphia was forced into the hands of a receiver because of "frozen credits," and recently a trust company controlled by labor in Atlanta, Georgia, has had to close. On October 16, 1926, the Brotherhood

Savings & Trust Company of Pittsburgh failed to open for business following the disclosure of an alleged bond swindle involving \$102,000 of the bank's funds. Its affairs were taken over by the State Banking Department following the arrest of five men, including three officers of the bank.

Warren S. Stone, the grand chief of the Brotherhood of Locomotive Engineers, was the person primarily responsible for inducing that organization to enter upon its banking program. That labor organization had for many years handled and invested large amounts of money in connection with its own activities. As early as 1868, it had established an insurance fund for the benefit of its members. In 1923 it held funds approximating \$10,694,000. In 1912, the Brotherhood had planned to establish a bank, but the proposal was voted down. In 1915, the same resolution was proposed and passed, but the entrance of our nation into the World War temporarily put an end to the project. It was not until November 1, 1920, that the first Brotherhood bank was opened at Cleveland. In 1921, the Brotherhood took over the People's Coöperative State Bank of Hammond, Ind., which, although not founded by the Brotherhood local of that city, nevertheless had many stockholders among the railroad employes of that place. Next, the Brotherhood entered Wall Street and purchased part ownership of the Imperial Trust Company, which control it sold in 1926 at a handsome profit. In 1922, the Brotherhood Investment Company, a holding company, was organized, with 51 per cent of the shares owned by the Brotherhood itself. Subsequently, other labor banks and investment companies, which the Brotherhood has established, have been controlled by this central holding company. In 1926, the Brotherhood sold its interest in the Imperial Trust Company, the Brotherhood of Locomotive Engineers Coöperative Trust Company, and the Equitable Building, all of New York City. Many thought that the Brotherhood was retiring from the New York field, but in September of that year it was announced that those sales had been made because the price offered assured an excellent profit, and that the Brotherhood would soon open another bank in that city. On the Pacific Coast, the Brotherhood organized the Pacific Brotherhood Investment Company, with headquarters in Portland, Oregon, capitalized at \$3,000,000, of which the Brotherhood Investment Company of Cleveland held the customary 51 per cent. The Pacific Brother-

hood Investment Company subsequently obtained control of banks located at Tacoma, Portland, Seattle, Spokane, and Hillyard. In May, 1924, plans were made and subsequently consummated to organize a California Brotherhood Investment Company, with a capitalization of \$3,000,000, 51 per cent of which was also owned by the Brotherhood Investment Company of Cleveland. These two companies were consolidated in the late summer months of 1926, with a capital stock of \$2,500,000. The extent to which labor banks are controlled by the Brotherhood of Locomotive Engineers is shown in the above tables.

The largest of the independent labor banks is the Federation Bank & Trust Company of New York. Its stock is widely distributed among all branches of the labor movement of that city. The Amalgamated Clothing Workers, not affiliated with the American Federation of Labor, has established a bank in New York and one in Chicago, and also controls an investment company.

In California, although the workers have long been thoroughly organized, the labor bank idea has not thus far been received with the enthusiasm that an outsider might expect. In fact, to some people California has proven to be most disappointing in that regard. Up to the present (January, 1927), but four such institutions have been established, viz., one each in San Bernardino, Bakersfield, Los Angeles, and San Francisco.

The first proposal to establish a labor bank in California appears to have been made in December, 1906, in connection with the erection of the Labor Temple of Los Angeles. The Labor Temple Association of that city had negotiated a loan of \$65,000 through the California Savings Bank of Los Angeles. Undoubtedly as a consequence of the difficulty experienced in obtaining a loan for a labor temple in a town noted for its antipathy toward Organized Labor, it was suggested by the union leaders of that city that a bank and trust company ought to be established, with offices in the Labor Temple Building. It was proposed to make the bank a stock company rather than a coöperative concern. Nothing, however, resulted from the suggestion, and many years were to pass before California was to have its first labor bank. In the spring of 1921, an announcement was made, emanating from Washington, D. C., and credited to C. E. Davidson, secretary of the International Association of Machinists, that Labor

was about to establish a bank in San Francisco in order to meet conditions which were then not as favorable to Organized Labor as they had previously been. The proposal was discussed for some time, but was subsequently dropped.

It was not until May 5, 1922, that the labor unions finally entered the banking field in California, and then it came about as a consequence of the influence of the organized railway employees of San Bernardino. On May 5, 1922, the local unions of the railway brotherhoods in that city purchased the San Bernardino Valley Bank. That institution had been incorporated on December 2, 1889, as the Savings Bank of San Bernardino. F. Hinckley had been its first president, and S. F. Zombro, its first cashier. It was capitalized at \$100,000, one-tenth of which was paid up at the time it began operations. On March 21, 1918, it added a commercial department, and on December 22, 1920, it changed its title to the San Bernardino Valley Bank. The railway brotherhoods of that city had kept closely in touch with the progress made by the Brotherhood banks in Cleveland and elsewhere, and finally decided to try their hand at operating a bank. They called Dr. Walter McCaleb, the first general manager of the Brotherhood of Locomotive Engineers National Bank of Cleveland to assist in the task of organization. On May 1, 1922, the control of the San Bernardino Valley Bank was taken over by the union interests, with McCaleb as president, and J. S. Abbott, as cashier. On July 1, 1922, this first labor bank in California had a combined capital and surplus of \$93,000, and total assets of \$757,520. The bank has prospered, and on January 1, 1927, had a combined capital and surplus of \$196,000, and total assets of \$2,065,427. On June 24, 1922, the San Bernardino Valley Bank established a branch at Barstow, another railroad center. On June 30, 1923, it purchased the Bank of Needles and made it into a branch, and on March 7, 1925, it also purchased the Monaghan & Murphy Bank at Needles.

Almost two years passed after the establishment of the first labor bank in California before the forces of Organized Labor took their second step in the realm of finance. The National Bank of Bakersfield had been purchased by the Valley Bank of Fresno, with the intention of making it into a branch office. When the Valley Bank got into financial difficulties, the group behind the San Bernardino Valley Bank became interested in the possibility

of having the labor unions of Bakersfield take over the assets of the National Bank of Bakersfield and turn it into a labor institution. After considerable campaigning among the local unions, control of the National Bank of Bakersfield was obtained, the new labor management taking office on February 2, 1924. The National Bank of Bakersfield had been incorporated during the fiscal year of 1913, with \$100,000 capital stock. C. L. Claflin was its first president, and J. K. Russell, its first cashier. It had had a successful existence as an independent bank before having been purchased by the interests behind the Valley Bank of Fresno.

The National Bank of Bakersfield opened an agency in East Bakersfield on February 2, 1924, the same day that it was taken over by the unions. On May 3 of that year its title was changed to the First National Bank *in* Bakersfield, the old First National Bank of Bakersfield, with its three branches, having been purchased by the Bank of Italy on May 3, 1922. The bank has been successful, and on January 1, 1927, reported combined capital and surplus of \$125,000, and total resources of \$1,637,602.

It is interesting to note that the next labor bank was established in Los Angeles, a city where Organized Labor has met with the most bitter sort of opposition. Mention has already been made above that a labor bank was planned at the time the Labor Temple was erected in 1906. Nothing, however, came of that proposal, and it was not until the first labor bank was started in San Bernardino that the idea was again broached in Los Angeles. In the spring of 1923, John S. Horn, secretary of the Central Labor Council of Los Angeles, sent letters to all union members in and near that city, in which he pointed out that the Coöperative Committee of that body felt "that the time is ripe for the organization of a coöperative people's bank in Los Angeles."

Local union members were asked whether or not they would be willing to withdraw their accounts from other institutions and place them in a labor bank. A rather ready response was obtained, and plans were made looking toward the organization of a labor bank. Dr. Walter F. McCaleb, who had been active in organizing the San Bernardino Valley Bank, was called upon for assistance, and, after some preliminary work, he and his associates incorporated the People's Bank & Trust Company of Los Angeles on April 24, 1924, with an authorized capitalization of

\$1,000,000, one-half of which was paid up. Doctor McCaleb was chosen president, A. W. Frye, vice president and cashier, and C. A. Adams, vice president and treasurer. Mr. Adams had been associated with McCaleb in the San Bernardino Valley Bank. On June 30, 1924, this labor bank had total resources of \$1,399,910. It was engaged only in commercial and savings bank activities. Certain internal difficulties arose in the management, with the result that Doctor McCaleb resigned, and the bank was without an executive head for about six months.

In June, 1925, Mr. C. J. Shepherd, who at that time was manager of the Los Angeles branch of the Federal Reserve Bank, was induced to accept the presidency and assume charge of the bank's affairs. Mr. Shepherd had had a long and successful banking career, having started in 1901 with the American National Bank of Indianapolis. He arrived in California in 1912, and became cashier of the First National Bank of Richmond, where he remained until he went to the Federal Reserve Bank of San Francisco in 1914, as assistant to the chairman and also assistant cashier in the operating department. In 1917, he was sent to organize the Spokane branch of the San Francisco Federal Reserve Bank; three months later he organized the Seattle branch and became its manager in 1918, and in 1920, he went to Los Angeles as the manager of the Federal Reserve Bank's branch in that city.

On June 6, 1925, the People's Bank & Trust Company was nationalized as the People's National Bank of Los Angeles, with a capital stock of \$500,000 paid in, and with C. J. Shepherd as president, and O. O. Moreland as cashier. This labor bank has progressed satisfactorily, and on January 1, 1927, had a combined capital and surplus of \$550,000, and total resources of \$4,206,602. It has approximately 1,000 shareholders owning an average of four shares each. Fifty-four unions are stockholders, and practically all labor organizations of the city carry accounts with it. Eight hundred shares of the bank's stock are owned by an affiliated organization, the People's Mortgage Company.

The Peoples Mortgage Company was incorporated prior to the establishment of the People's Bank & Trust Company and was capitalized at \$300,000. The objects of its founders were twofold; first, to have it act as a holding company to hold stock in labor banks, and second to have it function as a finance company

and make loans which its affiliated banks could not legally care for. Its stock was sold to approximately the same persons who purchased the stock of the People's Bank & Trust Company. Shortly after incorporation, it bought the Eagle Rock State Bank, but subsequently disposed of it. It now concerns itself solely with the purchase and sale of first-class mortgages.

Efforts have also been made to establish a labor bank in San Diego. It is said that an application was made to the United States comptroller of the currency for the incorporation of a "People's National Bank of San Diego," with a capital stock of \$200,000. The project apparently did not meet with the support of the labor interests of San Diego, and was abandoned.

In 1924, there were certain rumors afloat to the effect that the next California labor bank was to be established at San Francisco. San Francisco has always been known as the most thoroughly unionized city in the state, and many of the advocates of Organized Labor thought that it ought to support a labor bank. Rumor had it that the local Machinists Union was behind the proposal. Others claimed that it was the local members of the railway unions who planned to follow the lead of their Eastern brothers. At about that time an appeal was made to the Labor Council of San Francisco by the labor banking interests in Bakersfield and San Bernardino to support such a project. A committee was appointed to consider the matter and meet with Doctor McCaleb and his associates. The committee from the Labor Council, however, did not appear enthusiastic about the proposal, and recommended that action thereon be held in abeyance. The local labor unions apparently could see no urgent reason why a labor bank should be organized. The banks in San Francisco had not, as a group, been antagonistic to union interests. Many, in fact, had been most friendly. It appeared, therefore, that the most thoroughly organized union city of the state was to remain without a labor bank.

But in the spring of 1925, an announcement was made by representatives of the Brotherhood of Locomotive Engineers that plans were under way to organize a Brotherhood bank in San Francisco. The Pacific Brotherhood Investment Company, operating in the Northwest, controlled banks at Seattle, Tacoma, Portland, Spokane and Hillyard. It was interested in extending the influence of the Brotherhood organizations into California. On

February 26, 1925, an announcement was made by George A. Barnhart, chairman of the Board of the Pacific Brotherhood Investment Company, and Harry E. Cass, financial representative of the Brotherhood interests in that territory, that a California Brotherhood Investment Company, capitalized at \$3,000,000, would be organized, with headquarters in San Francisco, and would have for its field of operation the states of California, Nevada, New Mexico, and Arizona, in which it was hoped to establish a chain of Brotherhood banks. As was the case with all the other Brotherhood investment companies, 51 per cent of the common stock of the California company was owned by the Brotherhood Investment Company of Cleveland, Ohio. In the spring of 1926, the California Brotherhood Investment Company was merged with the Pacific Brotherhood Investment Company, and the consolidation was capitalized at \$2,500,000. On April 21, 1926, plans were announced dealing with the proposed opening of a Brotherhood National Bank in San Francisco, to be capitalized at \$500,000 and to have a surplus of \$150,000. After some months of preparatory work, the quarters of the new labor bank on O'Farrell Street, near Market, were opened to the public on December 18, 1926. Its first officers were: Henry E. Cass, president, E. B. Ansley, vice president and cashier, and George D. Barnhart, chairman of the board of directors.

Thus far no plans have been announced for the establishment of additional labor banks in California, although possibly as the years pass, we shall see such institutions operating in all of our larger centers of population where Organized Labor is strong and active. Thus far, the attitude of the State Federation of Labor and that of the local labor councils has been in accord with that of the American Federation of Labor, i. e., "cautious but sympathetic." The labor movement in California has, with the exception of a few years during the period of the '80s, been essentially conservative in character and not at all inclined to rush into new schemes for social betterment. The bankers of the state have, to a great extent, evidenced an attitude of kindly coöperation toward the labor bank movement. A. P. Giannini, of the Bank of Italy, has expressed the following opinion:

"At the outset experienced bankers may be secured to help in getting things started, but surely the men who in a great majority of cases have the ability to work their way up from the

bottom will be able to learn, in due time, the necessary practices of sound banking. For after all there is nothing mysterious nor unusually difficult about running a bank. Good management is the essential thing—just as it is in any other enterprise.

“Bankers, contrary to the opinion of some people, do not have to be born to their work. Many of our prominent financiers have entered the field from other lines of activity. In our own organization I have found that frequently men brought in from the outside outstripped the bankers of long training. Salesmen, lawyers, doctors, and merchants will all be found occupying high posts in our institution. They are men who have demonstrated their ability in other lines of endeavor, and are now proving that the same good judgment and managerial ability which made them successful in other vocations are qualities equally fundamental in banking. Men like Warren S. Stone, president of Cleveland’s successful labor bank, and closer at home, Daniel C. Murphy, a bank director and officer, illustrate the fact that men of this type make good bankers.”

No prophecies can be made regarding the future of labor banking in California. It is a noteworthy venture, and, as the years come and go, its progress will be watched with interest.

CHAPTER XXIV

CLEARING HOUSES IN CALIFORNIA

There are few bankers in California at present who realize the difficulties faced by the small group of San Francisco bankers who organized the first clearing house in the state on March 11, 1876. If there ever was a state in which individualism was rampant at that time it was California. Bankers felt that they had no interests in common with their associates; they were extremely jealous of one another; they were fearful that if they should associate with fellow bankers in an organization of any sort they would lose some of their business or they would possibly have to change some of their methods of conducting their banking affairs.

The first clearing house in the United States was organized in New York in 1853. As the years passed practically every center of population in the Eastern states established a local clearing house. From the very first, as has been seen from the earlier chapters, San Francisco had had a large number of banking institutions, but it was impossible to bring them together into an association of any sort until in 1876. With the rapid growth in the population and banking resources of Los Angeles, following the boom period of the '80s, the bankers of that community realized the value of closer association and organized their clearing house on September 17, 1887. Many years elapsed before the third association was formed in San Diego on October 9, 1895. From that time down to the present, every community of any importance, possessed of four or more banking houses, has organized a clearing house of some sort, until California now boasts of twenty-seven such organizations located in various parts of the state.

It would be difficult to state adequately what these clearing house associations have meant to their individual members, not only in assisting them to clear obligations upon each other, but in developing and introducing various policies and practices which have made for the welfare of the banks concerned. Uniform

rates of interest on deposits, charges for collections and exchange, uniform closing hours, assistance in times of panic or financial stress, all these things and more have been made possible as a result of the activities and influence of the local clearing houses.

After a great deal of discussion a committee of San Francisco bankers met on December 26, 1875, for the purpose of drafting a plan calling for the organization of a clearing house association. Needless to say, certain members of the group were opposed to the project. A report was drafted, and at a meeting of the committee on February 8, 1876, the proposed plan was adopted. The following fifteen banks were the original members of the San Francisco Clearing House Association: The Bank of California, then a state bank; the Bank of British Columbia; the Bank of British North America; the Bank of San Francisco; Davidson & Company, agents for the Rothschilds of London; Belloc Frères; Donohoe, Kelly & Company; the First National Gold Bank; Hickox & Spear; the London & San Francisco Bank, Ltd.; Merchants Exchange Bank; Sather & Company; the Swiss-American Bank; Anglo-Californian Bank, Ltd.; and Wells Fargo & Company Bank. The following officers were elected: president, Milton S. Latham of the London & San Francisco Bank, Ltd.; secretary, Ignatz Steinhart of the Anglo-Californian Bank, Ltd. It was decided to begin operations on March 11, 1876. Thomas S. Taylor was the first manager, and served from March 11, 1876, to August 31, 1877. He was succeeded by Charles Sleeper, who served until his death on October 3, 1915. Frederick H. Colburn, the present manager, succeeded Mr. Sleeper. In July, 1877, the membership was increased by the addition of the following banks: Nevada Bank, Lazard Frères, the Pacific Bank, the National Gold Bank & Trust Company, and Tallant & Company. At present there are fourteen members, including the Federal Reserve Bank of San Francisco. Only four of that number are national banks.

The total clearings for the nine and two-thirds months of 1876 amounted to \$476,123,237. Following the discovery of the Comstock Bonanza the clearings rose to over \$715,000,000, a fairly small figure compared with the total clearings of 1926, which amounted to \$9,799,768,682. The record day's clearings occurred on February 5, 1926, when items aggregating \$51,500,000 passed through the clearing house association. The second highest figure

was reached on January 2, 1927, when the clearings totaled \$50,000,000.

In the early days a distinction was made between checks payable in gold and checks payable in silver, and they were passed through the clearing house separately. At first, the San Francisco Clearing House Association issued silver certificates for the convenience of its members. These certificates were in denominations of \$100, \$500 and \$1,000, and were secured by deposits of silver left with the London & San Francisco Bank, Ltd. United States gold certificates began to be used in paying balances on March 5, 1883, and clearing house certificates on June 1, 1883. In December, 1910, the assistant treasurer of the United States, in charge of the San Francisco Sub-Treasury, became a member. For some years thereafter balances were paid in gold and silver coin and in United States Treasury gold certificates.

Since July 16, 1917, the San Francisco Federal Reserve Bank has acted as settling agent. Banks having debits for the day settle by means of checks in favor of the Federal Reserve Bank, drawn against accounts maintained by them with that institution. Credit balances due members are then placed to the credit of their accounts maintained by them with the Federal Reserve Bank. During the panic of 1907, the San Francisco Clearing House Association issued clearing house loan certificates to a total of \$7,179,000 in denominations of one, two, five, ten and twenty dollars secured by collateral deposited by member banks. The greater part of these certificates were retired early in 1908. The majority of those outstanding were in denominations of \$1. Since 1908, a fund has been on deposit with the Bank of California, National Association, for the ultimate redemption of all outstanding certificates.

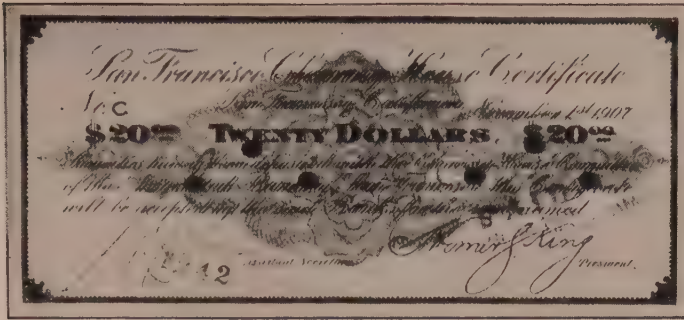
The present officers of the San Francisco Clearing House Association are: President, J. J. Fagan, Crocker First National Bank; secretary, Frederick H. Colburn.

The Clearing House Association of Los Angeles was organized on September 17, 1887. Prior to that time the banks of that city cleared their items upon each other by messengers, who went from bank to bank and received payment in coin for the checks and drafts which they presented over the counter. The first officers of the association were: president, I. W. Hellman, Farmers & Merchants Bank; vice president, George H. Bonebrake, Los

Angeles National Bank; secretary and manager, J. M. Elliott, First National Bank of Los Angeles. The following seven banks were the original members of the organization: Farmers & Merchants Bank, Los Angeles County Bank, First National Bank, Los Angeles National Bank, Southern California National Bank, University Bank, and Childress Safe Deposit Bank. The clearings for the first year amounted to \$36,050,980.94. The clearings for 1926 were \$8,917,424,000. As has been noted several times in previous pages, the Los Angeles Clearing House Association was instrumental in bringing about the organization of the California Bankers Association in 1891.

From 1887 to July 16, 1917, the banks of Los Angeles paid their balances, resulting from clearing house transactions, by means of clearing house certificates secured by a deposit of gold coin. Each bank deposited with the clearing house committee an amount of gold coin which it deemed adequate to cover its weekly debit at the clearing house. Clearing house certificates were issued against the gold thus deposited. For many years the total amount issued and used by the clearing house banks of Los Angeles was approximately \$400,000, although at a later date this sum was increased to \$2,032,000. Every Wednesday, the banks in the clearing house redeemed in gold coin their clearing house certificates which had been presented by the other banks in the association. On February 16, 1917, the Los Angeles Branch of the Federal Reserve Bank was admitted to membership in the local Clearing House Association, and since that time all balances have been paid by means of drafts upon that institution. Approximately twenty banks clear directly through the Federal Reserve Bank, while the remaining members of the association clear through some bank which is a member of the Federal Reserve System.

During the panic of 1907, the Los Angeles banks, being hard pressed for ready money, issued clearing house loan certificates, secured by collateral deposited by individual banks. The latter certificates enabled the banks to meet satisfactorily their debit balances resulting from the clearing operation. For the purpose of providing the public with a circulating medium, the association issued certificates in denominations of \$1, \$2, \$5, \$10 and \$20. These were called "scrip," and were secured by commercial paper deposited by the member banks with the clearing house committee.



Issued by the San Francisco Clearing House



Issued by the Los Angeles Clearing House
 CLEARING HOUSE LOAN CERTIFICATES OF 1907

The amount of scrip issued during the panic aggregated \$3,396,-650. It is interesting to note that the clearing house did not confine the issuance of scrip to its own members or even to Los Angeles banks, but permitted outside banks to obtain it upon the deposit of the proper amount of collateral. All but approximately \$4,000 of the circulating scrip was redeemed in the early months of 1908. Since that time some further redemptions have been made. The amount still outstanding is secured by a fund of money held by a local savings bank.

On May 1, 1908, the Los Angeles Clearing House Association appointed a clearing house examiner, who, with a staff of assistants, has since that time made periodic examinations of the local banks. The territory covered by the clearing house examiner has been extended to cover any bank in the County of Los Angeles which agrees to pay the expenses of the examination. This system of clearing house examination has been of great value in maintaining the banks of Los Angeles County in excellent condition. Since the appointment of the examiner, none of the banks under his jurisdiction has failed. In 1909, the San Francisco Clearing House Association followed the example of the Los Angeles group in appointing a clearing house examiner, whose duty it was to examine personally the financial conditions of the banks that were members of that association. Archibald C. Kains, who had previously been manager of the San Francisco branch of the Canadian Bank of Commerce, was appointed to that position and served until his election in the fall of 1914 as the first governor of the Federal Reserve Bank of San Francisco. No appointment was ever made to fill the vacancy created by his resignation.

With the tremendous expansion of the territory covered by the city limits of Los Angeles, the problem of efficiently caring for the clearance of bank items has had to be faced. There has also been the serious problem of taking care of the clearings of the large number of local branches of the Los Angeles banks. This has been satisfactorily worked out through the establishment of zones, the details of which need not concern us in this place, and through the organization of a clearing house in the Hollywood district and another in the San Pedro district which function separately from the Los Angeles Clearing House. In fact the latter does not even include their clearings in its totals.

J. G. Mossin served as secretary-manager of the Los Angeles Clearing House Association for some years prior to 1906, when he was succeeded by J. B. Gist. Mr. Gist was cashier of the Central National Bank, which later became the Security National Bank. In February, 1915, he was succeeded by F. W. Smith, the cashier of the United States National Bank. The present officers are: president, J. F. Sartori, Security Trust & Savings Bank; vice president, Henry M. Robinson, First National Bank; secretary-treasurer, F. W. Smith, Pan-American Bank.

The San Diego Clearing House Association was organized in October, 1905, at which time six local banks agreed to meet at a central point for the purpose of exchanging items upon each other. They were as follows: First National Bank, Merchants National Bank, Bank of Commerce & Trust Company, Blochman Banking Company, American National Bank, and San Diego Savings Bank. No articles of association were adopted, and no officers were elected. The first settlement under this arrangement was made on October 9, 1905, the settling clerk drawing checks on the various debtor banks in favor of the creditor banks, which checks were settled in any manner agreeable to the respective banks. This simple arrangement successfully weathered the storm of 1907. No clearing house loan certificates were issued at that time.

The total clearings for the calendar year of 1906, were \$36,-218,236.32. For the calendar year of 1926, they were \$315,225,-056. It was not until July 1, 1913, that a permanent organization with by-laws and officers was effected. The first officers chosen were: president, F. J. Belcher, Jr., First National Bank; vice presidents, M. T. Gilmore, San Diego Savings Bank, and W. R. Rogers, Merchants National Bank; treasurer, G. A. Davidson, Southern Trust & Savings Bank; secretary, L. J. Rice, American National Bank. At present there are seven members of the Clearing House Association of San Diego. The officers are: president, O. A. Darnall, Security Commercial & Savings Bank; first vice president, C. H. Martin, United States National Bank; second vice president, C. W. Wilson, San Diego Trust & Savings Bank; secretary and manager, R. H. Gunnis, First National Bank. From 1913 to November, 1921, balances were paid in gold or exchange at the option of the debtor bank. On the latter date, the rule was amended, making balances payable either in gold cur-

rency or in exchange on Los Angeles or San Francisco at the option of the debtor bank. Finally on February 1, 1926, arrangements were made whereby settlement was effected through the Los Angeles branch of the Federal Reserve Bank, the latter debiting and crediting the various members on the telegraphic advice of the manager of the Clearing House Association.

For several years prior to 1906, there was an association among the Oakland banks known as the Associated Banks of Oakland. It was organized for mutual benefit and protection, but did not operate as a clearing house. On May 1, 1906, the banks of Oakland organized a clearing house association composed of the following institutions: the Oakland Bank of Savings, Union Savings Bank, First National Bank, Union National Bank, California Bank, Central Bank, Farmers & Merchants Savings Bank, State Savings Bank, and Security Bank & Trust Company. The original officers were: president, W. W. Garthwaite, Oakland Bank of Savings; vice president, L. G. Burpee, First National Bank; secretary, George S. Meredith, Farmers & Merchants Savings Bank; manager, George E. Sleeper. During the first eight months, \$120,853,366.83 in clearings were passed through the office of the association. The total has increased rapidly, the clearings for the twelve months of 1926 aggregating \$1,077,033,-672. The present officers are: president, W. W. Garthwaite, Oakland Bank; vice president, H. A. Mosher, Central National Bank; secretary, George S. Meredith, Farmers & Merchants Savings Bank; manager, George E. Sleeper.

At the present time the Oakland Clearing House Association has seven members. During the panic of 1907, the Oakland Clearing House Association issued \$750,000 in clearing house loan certificates. They were first placed in circulation among the public on November 8, 1907, and were called in on January 22, 1908. By March 8, 1908, all but \$3,000 had been accounted for. At the present time there is still \$500 outstanding, many of the certificates undoubtedly being held as souvenirs or as parts of coin collections, while the remainder have undoubtedly been lost or destroyed. Prior to 1907, the banks of the Oakland Clearing House Association paid their balances in gold coin and in drafts on their San Francisco correspondents. Since that time, however, balances have been paid solely by the latter method.

The fifth clearing house association to be established in Cali-

foria was that at Sacramento which was organized on October 9, 1907. The first clearings were made on October 14 of that year. The original members were: California National Bank, Capital Banking & Trust Company (which became the Capital National Bank in November, 1911), Farmers & Mechanics Savings Bank (which later changed its title to the Farmers & Mechanics Bank), Fort Sutter National Bank, National Bank of D. O. Mills and Company, Peoples Savings Bank (which later changed its title to the Peoples Bank), and the Sacramento Bank. The first officers were: president, F. H. Pierce, National Bank of D. O. Mills & Company; secretary, E. A. Brown, California National Bank. The clearings for the first twelve months totaled \$43,156,577.14. For the twelve months of 1926, the total clearings amounted to \$442,501,119. At present, there are nine members in the Sacramento Clearing House Association. Its officers are: president, E. W. Read, Farmers & Mechanics Bank; vice president, J. I. Brunschwiler, California National Bank; second vice president, C. E. Gruhler, The Peoples Bank; secretary, S. W. Russell, Sacramento Branch of the Bank of Italy; treasurer, D. K. Colclough, United Bank & Trust Company; manager, W. D. Holmes, Capital National Bank.

The Clearing House Association of Sacramento issued clearing house loan certificates during the panic of 1907, the exact amount of which I have been unable to ascertain. The first were issued on October 9, 1907, and the date of last retirement was April 16, 1908. Balances are paid by means of drafts on the Federal Reserve Bank of San Francisco.

The Clearing House Association of San Jose was organized on October 29, 1907, with J. F. Brooke of the Safe Deposit Bank as chairman, and W. V. Dinsmore of the Bank of San Jose as secretary. The following six banks constituted the charter members: Bank of San Jose, First National Bank of San Jose, San Jose Safe Deposit Bank, Commercial & Savings Bank, Security State Bank, and Garden City Bank & Trust Company. The clearings for the first year totaled \$15,504,767. For 1926, they were \$158,055,163. The present members are: the Bank of San Jose, Branch of the Bank of Italy, First National Bank, Branch of the American Trust Company, Security State Bank, and Growers Bank. Settlements were made at first in gold and gold certificates, but in late years they have been made by drafts drawn on

San Francisco correspondents. At present, Paul Rudolph, of the First National Bank of San Jose, is secretary of the Clearing House Association of San Jose, and Wilbur J. Edwards, of the Security State Bank, is president.

The bankers of Stockton, in the summer of 1907, organized a clearing house association through which the first clearings were passed on August 1. Formal organization occurred on November 8, 1907. The following banks were the original members: Stockton Savings & Loan Society, San Joaquin Valley Bank, First National Bank, Stockton Savings Bank, Farmers & Merchants Bank, Commercial & Savings Bank, and Union Safe Deposit Bank. The first officers were: president, Sidney Newell, Stockton Savings Bank; vice president, Fred M. West, Stockton Savings & Loan Society; secretary, James M. Abeel, Farmers & Merchants Bank. The total clearings for the first twelve months amounted to \$26,024,680. The clearings for 1926 were \$146,867,700. Since the date of the formation of the association, no other banks have been admitted to membership. The San Joaquin Valley Bank was purchased by the Bank of Italy; the Stockton Savings & Loan Society became the Stockton Savings & Loan Bank; the Stockton Savings Bank became the City Bank; and the Farmers & Merchants Bank was purchased by the Sacramento Bank. The Union Safe Deposit Bank withdrew from membership.

At the present time the following are members of the association: Stockton Savings & Loan Bank, Bank of Italy Branch, United Bank & Trust Company Branch, First National Bank, City Bank, and Commercial & Savings Bank. Balances are paid by cashiers' drafts on San Francisco. During 1907, \$250,000 in clearing house loan certificates was issued against collateral deposited by members of the association. The collateral was "of such character as would be ordinarily taken by a bank to secure a loan made by it." The first certificates were issued on November 12. The date of last retirement is not known. The present officers of the Stockton Clearing House Association are: president, E. L. Wilhoit, Stockton Savings & Loan Bank; vice president, Edward F. Harris, Commercial & Savings Bank; secretary and manager, W. N. Harrison, City Bank.

The last clearing house association to be established in California during the year 1907 was that of Fresno, which was for-

mally organized on November 11 of that year. As early as 1887-1888 an association had existed among the banks of Fresno for the purpose of discussing problems of interest to the bankers of that city. No officers were elected and no clearing transactions were made by the members of that early association. I have been unable to obtain any information regarding the present association from its secretary. The Fresno clearings for 1926, amounted to \$231,399,177.

Two years elapsed before another clearing house association was organized. That of Pasadena was brought into existence on December 22, 1909. The first clearings passed through the hands of its officers on January 2, 1910. The original members were: First National Bank, Union National Bank, San Gabriel Valley National Bank, Crown City National Bank, Bank of Commerce, American Bank & Trust Company, and Pasadena National Bank. The first officers were: president, C. J. Hall; secretary-manager, H. S. Noe. The clearings for the first year aggregated \$40,570,318.90. For 1926, they were \$334,576,791. At present the Pasadena Clearing House Association has nine members. Balances were formerly paid in gold or legal tender notes, but are now paid through a system of debit and credit at the branch of the Federal Reserve Bank at Los Angeles.

The Clearing House Association of Bakersfield was formally organized on April 24, 1912. The charter members were the Bank of Bakersfield, First Bank of Kern, Security Trust Company, and First National Bank of Bakersfield. The first officers were: president, S. L. Mack, Bank of Bakersfield; vice president, G. J. Planz, Security Trust Company; secretary, W. V. Matlack, Security Trust Company. Records of clearings are not available for the first three years. Clearings for 1916 amounted to \$28,342,893.07. For 1926, they were \$66,884,028. The National Bank of Bakersfield was admitted to membership in 1913. The First National Bank of Bakersfield was made into a branch of the Bank of Italy in April, 1922, and soon thereafter the National Bank of Bakersfield changed its title to the First National Bank *in* Bakersfield. The Bank of Bakersfield was sold to the Security Trust Company of that city in October, 1912. Consequently only four banks are at present members of the Bakersfield Clearing House Association, i. e., Bank of Italy Branch, Security Trust Company, First National Bank *in* Bakersfield, and First Bank of

Kern. The present officers of the association are: president, A. S. Crites, Security Trust Company; and secretary-manager, O. R. Camprath, Security Trust Company. Bank balances are settled by drafts drawn on San Francisco correspondents.

The Santa Monica Bay Clearing House Association was organized on March 27, 1914. Clearings were first made on May 1 of that year. The charter members of the association were: Bank of Santa Monica (now a branch of the California Bank of Los Angeles), Ocean Park Bank (at present a branch of the Pacific Southwest Trust & Savings Bank of Los Angeles), Merchants National Bank of Santa Monica (which later became the First National Bank in Santa Monica), First National Bank of Ocean Park, Merchants Commercial & Savings Bank of Ocean Park (now the Marine Bank of Ocean Park), and First National Bank of Venice. The first officers were: president, E. J. Vawter, Jr., First National Bank of Ocean Park; secretary, H. J. Engelbrecht, Bank of Santa Monica. The clearings for the first year amounted to \$10,215,113.41. The clearings for 1926 were \$119,396,676.

At present eleven banks are members of this association. R. J. Folke of the Marine Bank of Ocean Park is president, and R. B. Harris of the First National Bank of Ocean Park is secretary, treasurer and manager. All of the banks in the Santa Monica Bay Clearing House Association carry accounts with the Los Angeles Branch of the Federal Reserve Bank. The latter is likewise a member of the local clearing house and clears daily just as do the other banks of the association. Settlements are made through the Los Angeles Branch of the Federal Reserve Bank, which debits the various banks with their debit balance when they lose, and credits them with their credit balance when they gain.

The Long Beach Clearing House Association, organized on May 18, 1914, had as its charter members the following banks: National Bank of Long Beach, First National Bank, Long Beach Savings Bank & Trust Company, Exchange National Bank, City National Bank, Farmers & Merchants Bank of Long Beach, and Marine Commercial & Savings Bank. P. E. Hatch, president of the National Bank of Long Beach, was elected president, and R. D. Judkins, of the First National Bank of Long Beach, was elected secretary and manager. The clearings for the first twelve months totaled \$28,120,432.60. For 1926 the clearings were

\$367,654,556. The Los Angeles Branch of the Federal Reserve Bank was admitted to membership in the association on August 23, 1920. Since that time clearings have been made by means of a system of debit and credit as previously explained in the case of other clearing houses in the southern part of the state. At present there are nine banks in the Long Beach Clearing House Association, not including the Federal Reserve Bank, which appears as an associate member. Mr. Hatch and Mr. Judkins still serve respectively as president and secretary-manager of the association.

Five years elapsed before another clearing house was organized in California. The Clearing House Association of Berkeley was formed on March 17, 1919, with the following members: First National Bank of Berkeley, Berkeley Bank of Savings & Trust Company, West Berkeley Bank, Berkeley Branch of the Oakland Bank of Savings, and Berkeley Branch of the First Savings Bank of Oakland. W. F. Morrish of the First National Bank was president; H. G. Johnson of the Berkeley Branch of the Oakland Bank of Savings was secretary; and J. S. Mills of the Berkeley Branch of the First Savings Bank of Oakland was treasurer. The clearings for the first twelve months aggregated \$117,779,849, while those for 1926 aggregated \$232,803,013. The present members of the Clearing House Association of Berkeley are: First National Bank *in* Berkeley, Berkeley Bank, College National Bank, Berkeley Branch of the American Trust Company, and Commercial National Bank. The present officers are: president, W. W. Sorrick, First National Bank *in* Berkeley; secretary, L. G. Titus, College National Bank; and treasurer, O. L. Texdahl, Berkeley Branch of the American Trust Company. Balances are paid by means of drafts on San Francisco correspondents.

The Modesto Clearing House Association was organized on May 20, 1920, with W. A. Harter, of the First National Bank, president, and L. B. Carpenter, also of the First National Bank, secretary and treasurer. Clearings first passed through the association on June 1, 1920. The original members were: Branch of the Bank of Italy, First National Bank, Modesto Bank, and California National Bank. The present members are Modesto Bank; United Bank & Trust Company (which succeeded the First National Bank); Branch of the Bank of Italy; Branch of the American Trust Company, and the First National Bank *in* Modesto.

W. A. Harter of the United Bank & Trust Company Branch is still president of the association. Eugene Rice of the same bank is secretary and treasurer. Balances are paid by means of drafts on correspondents. The clearings for 1926 aggregated \$42,-203,312.

The second clearing house association to be organized in 1920 was that at Riverside. This organization technically dates from July 21, 1920, although for some time prior to that date it had been customary for clearings to be made among the local banks, each bank taking its turn at handling the task. The original member banks were: Citizens National Bank, Security Savings Bank, National Bank of Riverside, and Branch of the Hellman Commercial, Trust & Savings Bank. The first officers elected were: president, W. B. Clancy of the Citizens National Bank, and secretary, W. T. Dinsmore of the Security Savings Bank. The National Bank of Riverside became the First National Bank *in* Riverside, and the branch of the Hellman Commercial, Trust & Savings Bank in 1926 became the Riverside Branch of the Merchants National Trust & Savings Bank of Los Angeles. Otherwise there have been no changes in the membership of the Clearing House Association of Riverside. Jonas Killian of the First National Bank is president of the local association, and W. T. Dinsmore still continues to act as its secretary. Balances are paid by drafts on Los Angeles and San Francisco correspondents. No records are available for the clearings of the association for the first twelve months of its existence. In 1926, however, the clearings aggregated \$52,790,322.

The Clearing House Association of San Bernardino was organized in August, 1920, but began actual operations on September 1 of that year. Its organization resulted from a number of meetings among the local bankers extending over a period of a year and a half. W. T. Smith of the Farmers & Merchants National Bank was elected president, and C. L. Cronk of the Savings Bank of San Bernardino was elected manager. The original members were the American National Bank, California State Bank, Farmers & Merchants National Bank (now a branch of the Merchants National Trust & Savings Bank of Los Angeles), San Bernardino National Bank, San Bernardino County Savings Bank, and Savings Bank of San Bernardino. The Savings Bank of San Bernardino withdrew from the association in July, 1922.

There have been no other changes in the membership of the organization. Balances are paid by drafts on Los Angeles correspondents. The total clearings for 1920 amounted to \$23,698,752.44. For 1926, they were \$107,316,532. The present officers of the organization are: president, J. H. Wilson, San Bernardino County Savings Bank; manager, J. M. Oakey, California State Bank.

The bankers of Watsonville organized an informal association on May 1, 1920, and drew up an agreement signed by the presidents of the three local banks governing collections, financial statements, service charges, banking hours, etc. It was not until January 12, 1921, that the Watsonville Clearing House Association was formally inaugurated, and clearings made between the banks of that city. Those banks were the Pajaro Valley National Bank, the Pajaro Valley Savings Bank, the Bank of Watsonville (now the Watsonville Branch of the Bank of Italy), and the Fruit Growers National Bank. The officers elected at that time were: president, H. F. Fletcher, Bank of Watsonville; secretary and treasurer, L. H. Lopes, Pajaro Valley National Bank. There have been no changes in the membership of the association except that the Bank of Watsonville was subsequently purchased by the Bank of Italy and has since been conducted as a branch of that institution.

It is the practice of the four banks concerned to have their representatives meet daily at the Watsonville Branch of the Bank of Italy and exchange checks and issue drafts on the individual banks for balances due. Records are not available for the first year's clearings. For 1922, they aggregated \$9,689,694.02. In 1926, they were \$16,970,897.85. The present officers of the Clearing House Association of Watsonville are: president, D. Van Giesen, Bank of Italy Branch; secretary and treasurer, L. H. Lopes, Pajaro Valley National Bank. Balances are paid by cashiers' drafts on San Francisco correspondents.

The Santa Barbara Clearing House Association was established on November 18, 1920, although clearings were taken care of by an informal association of the local banks as early as May 1, 1920. The original members were: First National Bank, Santa Barbara County National Bank & Trust Company, Commercial Trust & Savings Bank (now a branch of the Pacific Southwest Trust & Savings Bank of Los Angeles), and Central

Bank (which later became a branch of the Bank of America of Los Angeles). Two other institutions were admitted to membership in later years, i. e., the Santa Barbara Branch of the Banca Popolare Fugazi of San Francisco, which clears through the Pacific Southwest Trust & Savings Bank, and the Haley Street Branch of the Bank of America, which clears through the other branch of the Bank of America. Clearings for the first twelve months amounted to \$46,323,540.99. For the twelve months of 1926, the total clearings were \$76,943,863. Settlements are made by means of drafts on Los Angeles correspondents. Donald Myrick, vice president of the First National Bank of that city, is president of the association, and R. C. Smitheram, assistant cashier of the Santa Barbara Branch of the Pacific Southwest Trust & Savings Bank, is its secretary.

On January 20, 1921, representative officers of all of the Hollywood banking houses met to organize a clearing house association to serve local needs. This was the second clearing house to be established in Los Angeles, Hollywood being a part of the latter city. In 1925, a third clearing house for Los Angeles was organized at San Pedro. In both instances these additional clearing houses were formed for the purpose of providing facilities for banks located at some distance from the financial center of Los Angeles. The first clearings passed through the Hollywood Clearing House Association on January 23, 1921. The original members of the association were: Hollywood Branch of the Security Trust & Savings Bank, Hollywood Branch of the Citizens Trust & Savings Bank, Hollywood Branch of the California Bank, Western Avenue Branch of the California Bank, First National Bank of Los Angeles *in* Hollywood, and the Los Angeles Branch of the Federal Reserve Bank of San Francisco. The first officers elected were: president, R. C. Long, of the Hollywood Branch of the Security Trust & Savings Bank; and manager, T. M. Perry, of the Hollywood Branch of the California Bank.

The total clearings for the first twelve months were \$146,195,658.08, while those for 1926 were \$381,110,686. Since the date of organization a number of branches of Los Angeles institutions have been added to membership. In addition thereto, the following independent banks have also been admitted to membership: Federal Trust & Savings Bank, Central Commercial & Savings Bank, and Hollywood National Bank *in* Los Angeles. There have

been no withdrawals since the organization of the association. At present there are eighteen members, and all, with the exception of the Los Angeles Branch of the Federal Reserve Bank of San Francisco and four independent banks, are branches of Los Angeles institutions. Members of the association are required to keep an account with the Los Angeles Branch of the Federal Reserve Bank, through which balances are paid by a system of debit and credit. The transactions of various branch banks are taken care of by debits or credits entered on the account of their respective head offices. The present officers of the association are: president, C. H. Burlingame, of the Hollywood Branch of the California Bank, and manager and secretary, B. B. Odell, of the Hollywood Branch of the California Bank. Mr. N. T. Shaw of the same institution is assistant manager.

Owing to the rapid growth of Huntington Park, a suburb of Los Angeles, it was deemed imperative that a clearing house association be organized in that city. This occurred during April, 1923. The original members were: National Bank of Huntington Park, Walnut Park Bank, Huntington Park State Bank, and the local branch of the Pacific Southwest Trust & Savings Bank. C. W. Welter was the first president, W. A. Seaton was the first secretary-treasurer, and C. A. Koepsel was the first manager. Data covering the clearings for the first twelve months are not available, but the clearings for 1924 totaled \$12,649,433.11. For 1926, they were \$20,188,570.28. At present the Clearing House Association of Huntington Park has the following members: City National Bank, Walnut Park National Bank, Branch of Bank of America, Branch of Pacific Southwest Trust & Savings Bank, and Branch of Merchants National Trust & Savings Bank. Balances are paid by drafts on Los Angeles correspondents. The present officers are: president, J. H. Crosby, Branch of Merchants National Trust & Savings Bank of Los Angeles; secretary-treasurer, S. R. Krom, Branch of Bank of America.

The Santa Rosa Clearing House Association was apparently an outgrowth of the Sonoma County Clearing House Association formed in the autumn of 1907 for the purpose of issuing clearing house loan certificates during the depression of that year. Some time during the spring of 1913 a local clearing house association was formally organized in Santa Rosa. The records of that organization have been lost, but it is known that the following

banks were members: Santa Rosa National Bank, Santa Rosa Bank, Exchange Bank, and Savings Bank of Santa Rosa. I have been unable to ascertain just how long this second Clearing House Association of Santa Rosa continued to function, but it undoubtedly remained active until about 1918. H. K. Loughery of the Santa Rosa National Bank was in charge of the organization for some years. On November 27, 1923, representatives from the following Santa Rosa banks assembled and reorganized the association: Exchange Bank, First National Bank, Branch of the Mercantile Trust Company of California, Branch of the Central Commercial & Savings Bank of Vallejo, and Branch of the Bank of Italy.

Since that time the Central Commercial & Savings Bank has been consolidated with the Bank of Italy, and the branch of the Mercantile Trust Company has become a branch of the American Trust Company, but otherwise the membership has remained the same. F. P. Doyle, of the Exchange Bank, was elected president of the association, and J. A. Lombardi, of the Branch of the Bank of Italy, was elected secretary. Mr. Doyle still remains president. D. H. Hollingsworth, of the Branch of the American Trust Company, is secretary. Balances are paid by drafts on the San Francisco correspondents. The total clearings for 1923 were \$28,099,291.22, while for 1926 they were \$26,406,238.

The growth in the number and business of the banks located in the cities bordering on the southern part of Santa Monica Bay, caused the formation of the South Bay Clearing House Association in January, 1925. G. F. Thatcher, of the First National Bank of Hermosa Beach, was president, and Charles Pierpont, of the Farmers & Merchants Savings Bank of Redondo Beach, was secretary-treasurer and manager. Annual records of the clearings of that organization are not available.

The banks in the San Pedro district of the city of Los Angeles deemed themselves far removed from the Los Angeles Clearing House Association, and consequently on December 15, 1925, organized their own local clearing house group. The first clearings were made on January 2, 1926. The original members of the organization were: First National Bank of San Pedro, Harbor Commercial Savings Bank, and branches of the following banks: Hellman Commercial, Trust & Savings Bank, the Security Trust & Savings Bank, the Pacific Southwest Trust & Savings Bank,

the California Bank, and the Bank of Italy. There have been no changes in membership except that the Branch of the Hellman Commercial, Trust & Savings Bank has become the Branch of the Merchants National Trust & Savings Bank. The original officers were: president, J. H. Booge, manager of the Branch of the Pacific Southwest Trust & Savings Bank; secretary-treasurer, F. W. Healy, manager of the Branch of Security Trust & Savings Bank. The clearings for 1926 were \$44,076,435.31.

The Fullerton Clearing House Association was organized on January 18, 1926. Its officers are president, S. W. Smith, New First National Bank; secretary-treasurer, R. H. Biggs, Branch of the Pacific Southwest Trust & Savings Bank. The clearings for 1926 were \$8,434,695.

The banks of Bell and Maywood organized a clearing house association with headquarters at the First Bank of Maywood in the summer of 1926. The members entering into the clearing house agreement were the First Bank of Maywood, the Maywood Branch of the Citizens Trust & Savings Bank of Los Angeles, the Bell Branch of the Hellman Commercial, Trust & Savings Bank of Los Angeles, and the Community State Bank of Bell. George B. Atkinson of the First Bank of Maywood was appointed manager. No formal organization was effected, the local banks merely signing an agreement to provide for the more effective clearing of checks among the banks in the association.

Clearing house associations also are found at Whittier and at Petaluma. I have been unable to obtain any information regarding the former. The latter was organized in 1925 by the four banks of Petaluma, i. e., the Sonoma County National Bank, the Petaluma Savings Bank, the Branch of the American Trust Company, and the Branch of the Bank of Italy. The association does not clear checks, but acts as a clearing house for ideas and information of value to its members.

From the above, it will be seen that California at the present time has 27 clearing houses, each of the larger cities of the state being so provided. These clearing house associations have been of great assistance to their members, not only in providing satisfactory means for settling balances, but also in enabling the banks to adopt many regulations which have resulted in safety and uniformity in banking practices.

CHAPTER XXV

BRANCH BANKING

Undoubtedly the most important issue among the many which have vexed the minds of American bankers during the last decade, has been the question of branch banking. Especially has it commanded the attention of financiers and politicians during the last five years. In this controversy, the situation in California has more or less occupied the center of the stage. It is not necessary to repeat the arguments either for or against branch banking—they are already well known. Nor is it within the province of the author to hold a brief for any particular point of view. It is not possible at this time, because sufficient years have not as yet elapsed, to present an evaluation of the results which have accrued or may accrue to the state from having followed the policy which its laws and customs have sanctioned. All that will be attempted in the following pages is the narration of the story of branch banking in California since 1909 and a statement of its present status.

Strangely enough, many bankers and the general public seem to think that branch banking in principle and practice is something new. It is not an innovation either for California, for the United States as a whole, or for other countries. All progressive, civilized nations, other than the United States, sanction branch banking not only on a national but also on an international scale. Congress authorized the First Bank of the United States and the Second Bank of the United States to establish and operate branches. Banks of twenty-two states have the privilege of establishing branches within the boundaries of their respective commonwealths. In California, in the early days, the express companies carried on certain banking activities in scores of mining camps, and San Francisco and Sacramento bankers thought nothing of establishing branches in outlying centers of population.

At no time have California laws prohibited branch banking. Prior to 1909, there was no legislation affecting the matter. The

Bank Act of 1909 permitted any state chartered bank to establish branches, without restriction as to location or number, but only upon the written approval of the superintendent of banks. The act has not since been changed in that regard. At present, therefore, the state superintendent of banks is authorized to give or withhold approval at his discretion, but in no case is approval to be given until he has ascertained to his own satisfaction that public convenience and advantage will be promoted by the opening of such branch office. The written consent of the state superintendent of banks must also be obtained before a branch may be discontinued. When a bank opens branches in its home town, \$25,000 additional capital is required for each branch. Where they are acquired or opened in other cities, the parent bank must increase its capital by an amount equal to that which is required to establish an independent bank in those cities.

The growth of branch banking in California is clearly shown by the accompanying table, the data in each case, with the exception of 1927, being taken as of June 30 for the years in question.

<i>Year</i>	<i>Number of State Banks</i>	<i>Number of Branches</i>
1910	491	36
1911	452	50
1912	455	64
1913	468	80
1914	473	77
1915	468	95
1916	460	105
1917	477	126
1918	430	148
1919	425	146
1920	420	167
1921	423	193
1922	429	281
1923	429	440
1924	410	509
1925	394	556
1926	357	603
1927 (February 25)	313	707

From the above table it will be seen that on June 30, 1910, 491 state banks had 36 branches. As the years passed the number of banks decreased and the number of branches increased, until on February 25, 1927, the last date for which statistics were available, 313 state banks had 707 branches. Three days later

(February 28, 1927), the Bank of Italy, with 279 branches, retired from the state system and became a national bank. It will be noted that the period of greatest growth began with the fiscal year of 1922, when 88 branches were established.

According to the rulings of the attorney general of the United States and the United States comptroller of the currency, national banks prior to the passage of the McFadden Act in 1927, did not have the legal right to establish branches, although there was nothing in the National Bank Act that explicitly and in so many words prohibited them from doing so. Strangely enough these rulings were accepted almost without question by the national banks, and no case covering all phases of the points at issue has as yet been carried before the higher courts for adjudication. In some instances, however, national banks have obtained branches through the purchase of or the merger with other institutions. At times, a state bank with branches has joined the national banking system, and has been permitted to retain its branch offices.

In California at present (February 28, 1927), there are but four national banks with branches, i. e., the Bank of California, National Association, of San Francisco, with branches at Portland, Seattle and Tacoma, and one local branch in San Francisco; the First National Bank of Lemoore with a branch at Stratford; the Merchants National Trust & Savings Bank of Los Angeles with thirty-four branches in and near that city; and the Bank of Italy, National Trust & Savings Association with 279 branches. The Bank of California, National Association, obtained its three out-of-state branches in 1905 while it was still a state bank, through the purchase of the head office and branches of the London & San Francisco Bank, Ltd. It is the only national bank in the United States with branches outside the state in which the home office is located. Its fourth branch was acquired by the purchase of the Mission Bank of San Francisco in February, 1927. The First National Bank of Lemoore also acquired its branch at Stratford through the purchase of another institution. The Merchants National Trust & Savings Bank of Los Angeles is the result of a merger between the Hellman Commercial, Trust & Savings Bank with thirty or more branches, and the Merchants National Bank. The story of the Bank of Italy, National Trust & Savings Association, appears in subsequent pages.

In a number of cases, stockholders in national banks have also organized state banks or have obtained control of them, one stock certificate sometimes covering the stock of several institutions. This practice is to be found in such instances as the First National Bank of Los Angeles and the Pacific Southwest Trust & Savings Bank, the Citizens National Bank and the Citizens Trust & Savings Bank of Los Angeles, etc. In a few cases a separate holding corporation has been organized to control the stock of both national and state banks. The Americommercial Corporation of Los Angeles, for example, controlled the stock of the Commercial National Trust & Savings Bank, the Bank of America, and the Liberty Bank, all of which operated a number of branches or offices. The Pacific National Company of Los Angeles, affiliated with the Pacific National Bank of that city, holds the stock of several banks located in the southern part of the state. The Bancitaly Corporation is a similar organization, the most outstanding bank holding company in California as well as in the United States, and will be more fully described in a later portion of this chapter.

With the rapid expansion of the branch banking systems, the national banks of the state have had to face serious competition. Many have been seriously handicapped because they have not been able to establish branches either in or outside of the city in which their main office is located, nor have they been financially able to obtain branches by means of purchase or merger. A few years ago the officers of the Commercial National Bank of Los Angeles announced that they were not convinced that the National Bank Act prohibited the establishment of branches, and declared that they intended to open several local offices in that city. A conference was held by representatives of that bank with the United States comptroller of the currency and the entire question was gone over very carefully. Following the conference, the latter issued an order permitting a national bank to establish local agencies or tellers' windows in the city or town in which the bank had its head office.

This ruling was later amended so as to prohibit a national bank from establishing agencies in those states where state banks did not have the same privilege. Such agencies, however, were not permitted to operate as branches. They were only authorized to receive deposits, cash checks, and receive applications for loans,

but were not authorized to pass upon the latter. The above order was issued in 1921, and by October 31, 1922, ten agencies had been established in California. On October 31, 1925, the latest date for which information is available, 17 California banks had established 60 agencies. Of that number, the Commercial National Trust & Savings Bank of Los Angeles (formerly the Commercial National Bank) had 16 agencies, the Pacific National Bank of Los Angeles had 8, and the United States National Bank of Los Angeles had 7. It is interesting to note, however, that no national bank in San Francisco deemed it advisable to establish a local agency, and only one Oakland bank, the Central National Bank, did so. What will happen now that the McFadden Bill has become a law, permitting national banks under certain conditions to establish intra-city branches, is a matter concerning which one can not even conjecture. The story of the McFadden Law and the nature of its various provisions will be presented in later pages.

On June 15, 1922, the First National Bank of St. Louis decided to test the legality of the rulings of the United States comptroller of the currency and of the United States attorney-general forbidding the establishment of branches by a national bank. It forthwith opened a branch in St. Louis and announced that it intended to establish others as rapidly as possible. Its offices were not to be "agencies," but were to be conducted as full fledged branches, engaging in all phases of the banking business. The United States comptroller of the currency refused to take any action against the bank, but the attorney-general of Missouri immediately filed suit against it, claiming that it had violated a state law. In Missouri, state banks are prohibited from having branches, and the question, therefore, before the courts was whether or not a national bank could legally establish a branch in contravention of a state statute. Briefs in the case were filed by the attorneys of several large New York national banks, which operated branches, by the United States Government, and by representatives of eighteen states. The Supreme Court of the United States on January 28, 1924, formally decided that a state law prohibiting the establishment of branches was valid as against national banks. Therefore states which preferred not to have branch banks, either state or national, could choose to forbid them. The decision, however, left unsettled the question as to

whether or not a national bank was permitted to establish branches in a state where state banks had the right to do so.

Branch banking may be intra-city, district, or state-wide in character. In California we have all three kinds. Many banks in smaller cities operate one or more local branches. In the larger centers of population, especially in San Francisco, Los Angeles and Oakland, a few banks have a number of local offices. Typical of these are the Anglo-California Trust Company of San Francisco with 7 offices; the Oakland Bank with 10 offices; the Citizens Trust & Savings Bank of Los Angeles with 25 offices, etc. The greater part of these branches are mere "service stations," whose main function is to receive deposits and cash checks. The growth of population and the congested condition of our streets have made it necessary for such local offices to be established so as to provide convenient banking facilities for a bank's customers. There has been no objection to this sort of branch banking from any source.

Quite a number of banks have established branches in territory contributory to the city in which the main office is located. The branches of the American Trust Company, for example, are located within an area more or less contiguous to San Francisco Bay. It has 52 offices in San Francisco, including its head office, and 51 out-of-town offices. In passing, it may also be mentioned that it has a branch in London and is announced as planning a branch in Honolulu. The United Bank & Trust Company of San Francisco has branches in Sacramento, Modesto, Oakdale, Stockton and Fresno, the idea of its founders being to tie the economic interests of the Sacramento and San Joaquin valleys more closely to San Francisco. The Security Trust & Savings Bank of Los Angeles has 50 branches located primarily in the territory lying adjacent to Los Angeles. This statement also holds true of the California Bank, and the Merchants National Trust & Savings Bank, both of Los Angeles, the former having 46 offices and the latter, 34. It was also true of the Bank of America of Los Angeles before its merger with the Liberty Bank of San Francisco. The 99 offices of the Pacific Southwest Trust & Savings Bank of Los Angeles are located in cities on the coast line as far north as San Luis Obispo, as far east as the Imperial Valley, and as far northeast into the San Joaquin Valley as Fresno.

The Bank of Italy has been the only California institution

operating a state-wide branch banking system. Almost from the first its founders have desired to place a branch in every center of population in the state. In fact it is stated that its founders, who had been connected with other Italian banks in San Francisco, broke with their associates and chartered a bank of their own because of a difference of opinion regarding the advisability of entering upon a branch banking program. Shortly after the incorporation of the Bank of Italy, it took its first step in acquiring branches by establishing an office in the Mission District of San Francisco. In 1909, it purchased the Commercial & Savings Bank of San Jose. In 1910, it absorbed the Bank of San Francisco and the Mechanics Savings Bank of that city. In 1912, only one bank was purchased. In 1913, it entered Los Angeles through the purchase of the Park Bank and the City & County Bank. No banks were absorbed in 1914 or in 1915; 8 were taken over in 1916; 15 in 1917; 2 in 1918; none in 1919 and 1920; 14 in 1921; 15 in 1922; 12 in 1923; 5 in 1924; and 7 in 1925. Many of the banks acquired also had branches. A large number of new offices were also opened. At the twentieth anniversary of the bank in 1924 it was operating 86 banking offices in fifty-six cities in California. Its resources had multiplied more than 1,000 times, a record unequalled in the annals of American banking.

The Bancitaly Corporation, chartered under the laws of New York in 1919, has been an important factor aiding in the expansion of the Bank of Italy. The New York Italian Chamber of Commerce had felt that the Italian residents of the city needed better banking facilities. It therefore appealed to A. P. Giannini, who had been so successful in building up the Bank of Italy. He agreed to assist, and in coöperation with the Italian Chamber of Commerce organized the Bancitaly Corporation with a capital of \$5,000,000, subsequently increased to many times that amount. The Bancitaly Corporation was formed to hold stock in various banking concerns. It soon took over the East River National Bank, then the Commercial Trust Company, the Banca d'America e d'Italy, the Bowery Bank, and the Commercial Exchange Bank, all of New York City, and the Richmond Borough National Bank of Stapleton on Staten Island. At present (February, 1927), the New York banks which it controls operate about 20 offices in New York City. It has purchased stock in a large number of other institutions both at home and in foreign countries, and has also

invested heavily in real estate. It is typically a bankers' investment company, such as one finds in European countries, especially in England. In California, it has been and is the holding company for the stock of the Bank of Italy and its affiliated institutions of which, as a rule, it controls 51 per cent or more.

On August 8, 1921, Bank of Italy interests organized the Liberty Bank of San Francisco as a day and night bank, and opened it in quarters which had been vacated by the Market Street Branch of the Bank of Italy. A majority of its stock was held by the Bancitaly Corporation. In the summer of 1925, the Bank of Italy interests also organized the Americommercial Corporation, another holding company, to take over and control the stock of the Bank of America and the Commercial National Bank, both of Los Angeles. The latter had been acquired in 1923 by the Bancitaly Corporation.

Practically all of the stock of the Americommercial Corporation was owned by the Bancitaly Corporation. In July, 1925, the Continental National Bank of Los Angeles was purchased by the Americommercial Corporation and merged into the Commercial National Bank, which subsequently became the Commercial National Trust & Savings Bank. In December, 1925, the control of the Liberty Bank passed from the Bancitaly Corporation to the Americommercial Corporation as the result of a stock transfer operation. The Bank of Italy interests now had six institutions through which they could expand their branch banking activities, i. e., the Bank of Italy itself, the Liberty Bank, the Bank of America, the Commercial National Trust & Savings Bank, and the Americommercial Corporation (which controlled the last three banks), a majority of the stock in all five institutions being owned by the Bancitaly Corporation.

When in 1924 the Federal Reserve Board and the state superintendent of banks began to impose certain restrictions upon branch banking expansion, the Bank of Italy, being a member of the Federal Reserve System, more or less retired from the field and turned the task over to other parts of its organization, especially to the Bank of America and the Liberty Bank, which were not members of the Federal Reserve System. The Commercial National Trust & Savings Bank, as explained above, was the cause of the order being issued by the United States comptroller of the currency permitting national banks to establish tellers'

windows or agencies in the city of the home office, and subsequently established 20 such agencies. The Bank of America, confining its activities to the southern part of the state, purchased 15 banks through the instrumentality of the Americommercial Corporation and also established 8 local branches in Los Angeles. The Liberty Bank, acting primarily through the Bancitaly Corporation as the purchasing agent, obtained 93 branches in the central and northern parts of the state in about 18 months' time.

In December, 1925, plans were made for the consolidation of the Liberty Bank and the Bank of America so as to form a gigantic state-wide banking institution with deposits of \$52,000,000, resources of \$58,000,000, and more than 40 banking offices, all to be controlled by the Americommercial Corporation. The latter held a majority of stock in the Commercial National Trust & Savings Bank, as well as in the two other banks, and consequently would have controlled over 60 banking offices and more than \$80,000,000 in resources. The superintendent of banks, however, failed to act on the petition and the proposed merger was not effected. When Will C. Wood became superintendent of banks in January, 1927, the Bank of Italy interests petitioned to merge the Liberty Bank, the Bank of America, the Commercial National Trust & Savings Bank and the Southern Trust & Commerce Bank of San Diego (the latter having just previously been acquired by the Bancitaly Corporation), into a new institution to be known as the Liberty Bank of America. Permission was granted on January 27, 1927.

Subsequently approval was also given by the state superintendent of banks and the Federal Reserve Board for the merger of the Liberty Bank of America with the Bank of Italy, which merger became effective on February 19, 1927. On the latter date, the Bank of Italy thus controlled 264 branches, subsequently increased to 279 (February 25, 1927), and had resources of approximately \$600,000,000, and deposits of \$550,000,000. This made it the third largest bank in the United States and possessed of the greatest number of branches. On February 28, the Bank of Italy entered the national banking system as the Bank of Italy, National Trust & Savings Association.

The status of branch banking in California at present (February 28, 1927) is as follows: Bank of Italy, National Trust & Savings Association, 279 offices; Pacific Southwest Trust & Sav-

ings Bank, 99 offices; American Trust Company, 95 offices; Security Trust and Savings Bank, 50 offices; California Bank, 46 offices; Citizens Trust & Savings Bank, 25 offices; and 307 banks, generally regarded as independent or unit banks, 55 of which have 113 branches.

Local branches have occasionally been obtained by the purchase of some existing institution, but as a rule they have been established *de novo*. There has been no opposition to the opening of such local branches in the city of the bank's home office. The fight that has been waged, and at times it has been extremely bitter in character, has been made against the territorial or state-wide extension of branch banking activities. In the latter case, branches have, with few exceptions, been acquired by the purchase of existing institutions.

In fact, it has been the general policy of the state superintendent of banks to require that branches outside the city of the head office be obtained only by the purchase of, or the merger with, an established bank. Both fair and foul means have been used in acquiring these out of town branches. Stockholders of independent banks, who have not wished to sell, have sometimes been forced to do so by means which need not be discussed in this place. At times, when a branch banking institution has found it difficult or impossible to purchase a bank in a certain town, it has not been unusual for its stockholders to incorporate a new institution, which has later been taken over as a branch office.

One of the reasons for the rapid increase in the number of branches after 1921, was the fact that many country banks, finding themselves in a "frozen" condition, owing to the agricultural depression which made it difficult or impossible for farmers to pay off their loans, either had to sell to others or suspend. The bigger banks were appealed to, the local institutions were purchased, and the various communities and the banking structure of the state were saved the disastrous effects which always accompany a series of bank failures. As has been stated elsewhere in these volumes, it was the existence of branch banking that prevented Californians from having to see bank after bank go down in the crash that followed the depression of 1920.

In some instances these weakened institutions were purchased for little or nothing. In one case, after a certain bank in a farming district had been purchased, its stockholders owed the pur-

chasing bank about \$200,000. The story of the Valley Bank of Fresno has been detailed in earlier pages. These instances are not cited as being typical, but are mentioned merely for the purpose of showing what would have occurred in California had not the bigger branch banking systems been able to assist in taking care of a critical situation.

The stockholders of a bank, which has been purchased, usually exchange their stock for holdings in the parent institution, although at times a cash price is paid. The rate at which the stock is exchanged varies from case to case depending upon the value of the institution which is acquired. The directors of such banks are as a rule retained as members of a local advisory board to which other prominent citizens of the community are added. This advisory board, however, is not clothed with the powers of a directorate, the latter of course reside in the board of directors of the parent institution. Seldom is a noticeable change made in the personnel of a bank which has been acquired, although at times a manager is sent in from another city or from the head office.

To a considerable degree, each branch is operated as an independent institution, although functioning in accordance with the rules and system of the head office. Loans within certain limits are made under the direction of the advisory board or the manager of the branch, although large transactions must always be referred to the head office. Traveling auditors, inspectors and others make frequent visits for the purpose of assisting in the work of administration. Daily reports are mailed or wired into the head office, so that the officials of the latter are always able to keep in touch with what is going on.

The trend towards district and state-wide branch banking became so noticeable during 1921, and the protests from the independent bankers became so vigorous, that Jonathan S. Dodge, who was then state superintendent of banks, on his own initiative called a conference of the legislative committee of the California Bankers Association in November of that year for the purpose of discussing the advisability of adopting some general restrictive regulation. Subsequently he announced that in granting licenses for the establishment of branches, he would in the future be guided by the following principles:

"Any bank whose main office is located within the limits of a city will be permitted to extend into other parts of that city with branches, on application to the superintendent of banks, and without acquiring another bank.

"Any bank located within a city, desiring to extend a branch into another city of the state where competition now exists, will be required to acquire an existing bank before the request will be granted. This rule will be subject to exceptions, which I hope will be few.

"All banks that may be members of the Federal Reserve Bank will be required to secure the consent of that institution before any franchises are authorized."

The second paragraph of the above statement contains the so-called and greatly debated *de novo* rule, which required that branches outside the city of the home office had to be obtained, except under unusual circumstances, by the purchase of some already existing institution. When John F. Johnson succeeded Mr. Dodge as state superintendent of banks in February, 1923, he announced that he would continue to follow the general principles formulated by his predecessor.

The expansion of branch banking continued at a rapid pace during 1921 and 1922. Finally the independent bankers deemed it advisable to organize an association for the purpose of protecting their interests. The San Bernardino County Bankers Association took the initiative in attempting to stem the tide by appointing a committee authorized to call a state convention of the independent bankers. Approximately 100 representatives met at Riverside on November 25, 1922, and formed the California League of Independent Bankers. Those present voiced their opposition to district or state-wide branch banking, and protested against the methods used to compel banks to sell to the big branch banking organizations.

The league, however, went on record as not being opposed to metropolitan or intra-city branch banking. Howard Whipple, president of the First National Bank of Turlock, was elected president of the organization, and E. J. Sanford, vice president of the Ontario National Bank, was elected secretary. A full-time secretary, G. W. Buckler, was subsequently appointed. The office of the league was at first located at Turlock, so as to be close to the president of the organization. It was later removed to San Francisco. Beginning February 1, 1924, a mimeographed bulle-

tin, "The Independent Banker," was published, which on November 1, 1924, took printed form and has since been issued as the monthly organ of the league. Charles H. Segerstom, of the First National Bank of Sonora, succeeded Mr. Whipple as president in 1925, and O. G. Chrisman succeeded Mr. Buckler as secretary.

Shortly after having been organized, the league carried its fight against district and state-wide branch banking into the halls of the Legislature. In January, 1923, it prepared and submitted the following amendments to the State Bank Act:

1. That each branch office be required to publish a statement of its condition at the time of called reports.

2. That the establishment of branch offices outside of the home of the parent institution be prohibited except by purchase of an existing institution.

3. That the superintendent of banks be prohibited from accepting any position in a bank of California until two years have elapsed after his retirement from office.

4. That a bank be permitted to have but one branch in any city other than the city of the home office.

5. That any branch office, which advertises in any way the total assets of the parent bank, be compelled to advertise the total assets of that particular branch office in similar sized advertisement and in a similar manner.

6. That when a branch bank advertises or exhibits in any way the names of the members of its advisory board, it be required to state that the latter are without the authority or the responsibility of members of the board of directors, and that it advertise or exhibit at the same time in similar sized letters the names of its directors.

In the Legislature of that year, Assemblyman C. M. Kline of San Jacinto introduced a bill designed to prohibit branch banking outside the home city of the parent bank. Assemblyman H. Lyons of Los Angeles also introduced a measure requiring branch banks to publish statements of their individual business, separate and distinct from that published by the parent bank.

The contest over the branch banking issue became so bitter that it was decided to call a conference between Superintendent of Banks Johnson, the representatives of the California League of Independent Bankers, and the Legislative Committee of the California Bankers Association. Two different meetings were held, lasting for two days each, at the conclusion of which the following compromise was reached:

1. It was agreed to make the matter of the publication of deposits of branch banks a state code requirement.

2. It was decided that other principles affecting the limitation of establishment of branch banks should be made a matter of Bank Department ruling only, giving such rulings the effect of law without the law's rigidity in respect to alterations.

Superintendent of Banks Johnson then asked the Legislature to amend Section 130 of the California Bank Act so as to require that every bank, operating a branch office other than in its own home city, should report to the superintendent of banks the total of deposits received and held by its branch office or offices in each city. He also recommended that another section be added to the Bank Act requiring that every bank operating a branch office in a town other than the town of its principal place of business should, whenever publishing in any such city any statement of its condition as a whole, likewise publish in connection therewith the total of deposits received and held by it through its branch office or offices in any such city. Both of the proposed amendments were passed by the Legislature without debate, and have since been part of the banking law of the State.

Out of the above mentioned conference there also came the following ruling which Superintendent of Banks Johnson agreed to enforce in the administration of his office:

1. From and after this date no branch office shall be established by any bank in a city or locality, other than that in which its principal place of business is located, by the purchase of or consolidation or merger with another bank, unless both banks shall have been open for business for at least three years prior to said sale, consolidation or merger, unless the superintendent of banks in his discretion shall find that the public convenience and advantage require it; in the case of a national bank that has been converted into a state bank the time required herein shall be considered as running from the date of the original organization of said national bank.

2. From and after this date no more than one branch office shall be established by any bank in a city or locality other than that in which its principal place of business is located, unless the superintendent of banks in his discretion shall find that the public convenience and advantage require it. In the event, however, of sale, consolidation or merger, all branches that have been maintained for a period of three years prior to such sale, consolidation or merger by the respective institutions or banks concerned, may be thereafter continued as branches of the consolidated banks.

The three-year requirement herein provided shall not be construed as applying to branch offices in existence as of this date.

3. From and after this date no branch shall be created in any locality other than the city or locality in which is located the principal place of business except by purchase of or consolidation or merger with an existing bank in said city or locality unless the superintendent of banks in his discretion shall find that the public convenience and advantage require it.

The California League of Independent Bankers has not confined its activities to waging a fight against district and statewide branch banking in California, but has likewise taken an active part in the national campaign. It has been constantly in touch with the United States Association of Bankers Opposed to Branch Banking. On September 12, 1923, a committee of the league composed of E. L. Bickford of Napa, W. F. Morrish of Berkeley, and Howard Whipple of Turlock, appeared before the Federal Reserve Board, at Washington, to argue on behalf of the unit bank. Again, on April 16, 1924, another committee composed of W. F. Morrish, J. S. MacDonnell of Pasadena, and Howard Whipple appeared before the House Committee on Banking and Currency, at Washington, in support of the anti-branch banking provisions of the McFadden bill. Conventions of the league are held annually in the same city and at the same time as the meetings of the California Bankers Association.

The *de novo* rule adopted by the office of the state superintendent of banks proved at times to be to the disadvantage of the bigger branch banking institutions. The Bank of Italy, being denied the right to establish two *de novo* branches in Los Angeles, proceeded to test the authority of the state superintendent of banks in making such a ruling. It also introduced into the State Legislature in 1925, a bill which would have compelled the state superintendent of banks to permit the establishment of a branch in any city if 20 per cent of the voters in a geographical area petitioned that such be done. The measure did not become a law. On June 18, 1925, the Bank of Italy applied to the state courts for a writ of mandate to compel the superintendent of banks to grant it permission to change the location of one branch and to establish another in Los Angeles. In its argument before the State Supreme Court it showed that five banks which were its competitors had been given licenses to operate 103 branches in Los Angeles, thereby enabling them to gain a decided advantage in

obtaining new business and in attracting local customers. Lengthy hearings were held, arguments were submitted, and on December 15, 1926, the State Supreme Court in a lengthy decision upheld the position of the state superintendent of banks and the *de novo* rule of his office.

Will C. Wood succeeded Johnson as superintendent of banks on January 20, 1927, and immediately announced that he considered the rule to be discriminatory, and that it would not therefore be followed in the administration of the law by his office. All such restrictions having been removed, some of the larger banks immediately set about to expand their number of branches at an astounding rate. Developments have come so rapidly since that date that it has been impossible for any person outside of the office of the state superintendent of banks to keep in touch with them. As a consequence, the histories of many banks mentioned in earlier pages will be sadly out of date by the time these pages come from the press. All that can be hoped is that the story of banking in California down to the close of 1926 has been fairly accurately told.

Before attempting to outline the events of January and February, 1927, it is advisable to go back and pick up the threads of the story of branch banking as it has affected the national banks of California and the Federal Reserve System.

The development of branch banking in the state has resulted in the absorption of a large number of national banks, especially in the smaller cities. On June 30, 1920, California had 305 national banks; by June 30, 1926, that number had decreased to 264. Since that date others have been taken over as a result of the rapid expansion of the Liberty Bank of San Francisco, the Bank of America of Los Angeles, and of the institution resulting from the merger of those two banks, i. e., the Liberty Bank of America. The decrease noted would have been of an even more startling character had it not been for the fact that in many cities new national banks have been incorporated to take the places of those which have been absorbed.

Not only has the relative importance of the national banking system suffered in California, because of the decrease in the number of national banks, but its advocates have been forced year by year to witness a decline in the extent to which it has controlled the banking resources of the state. Again and again, it

was claimed in the press and elsewhere that unless something were done to give to the national banks additional rights and privileges in the matter of branch banking, so as to enable them to compete more satisfactorily with the state banks, a time would come when there would be no national banks in the state, or at best relatively few, with a consequent disastrous effect upon the Federal Reserve system.

Those arguments appeared to find support in the statements of J. W. McIntosh, United States comptroller of the currency, who, in the fall of 1925, declared that for the United States as a whole, 166 banks, with resources of \$566,600,000, had withdrawn from the national system during the preceding twelve months. He also called attention to the fact that the total resources of the national banks during a forty-year period had declined from 75 per cent of the total banking resources of the country to about 47 per cent.

Finally the Federal Reserve Board, in March, 1922, sent two of its members, A. C. Miller, formerly professor of economics at the University of California, and John R. Mitchell, to consult with representatives of the Federal Reserve Bank of San Francisco, the California superintendent of banks, the national banks of the state and a few of the larger branch banking institutions. Meetings were held both in Los Angeles and in San Francisco. Subsequently on September 12, 1922, the Federal Reserve Board held a formal hearing on branch banking at Washington, at which were present the state superintendent of banks, representatives of the California League of Independent Bankers and of the United States Association Opposed to Branch Banking, as well as an official from the two leading state branch banking institutions in California, which were also members of the Federal Reserve system. After studying the situation thoroughly, the Federal Reserve Board adopted a set of resolutions on November 7, 1923, amended in April, 1924, to become effective August 1, 1924. The policy laid down by the resolutions in question was to the effect that, as a general principle, state banks with branches outside of the corporate limits of the home office or territory contiguous thereto ought not to be admitted to the Federal Reserve system except upon condition that they relinquish those branches; and also that a bank which was a member of the Federal Reserve system would not be permitted to establish or acquire a branch

outside of the home city of the bank or the territory immediately contiguous thereto, except in those cases where the state banking authorities and the Federal Reserve Board agreed that public necessity and advantage required that an exception be made. The Federal Reserve Board has since that time taken occasion both to make exceptions to the above rules and also to prevent in a few cases the establishment of extra-city branches by California state banks that are members of the Federal Reserve system.

The branch banking controversy finally reached Congress in the spring of 1924. On February 11 of that year, Louis R. McFadden, chairman of the House Committee on Banking and Currency, introduced a measure designed to amend the National Bank Act and the Federal Reserve Act in a number of particulars. Four of the eighteen suggested changes related to the subject of branch banking. The former had as their object the outlawing of state-wide or country-wide branch banking in so far as the Federal government might be able to do so. According to the terms of the measure, state banks with branches were not to be permitted to enter the national banking system or the Federal Reserve system unless they gave up their branches located outside the city of the home office. National banks, or state banks that were members of the Federal Reserve system, were not to be permitted to establish branches or to acquire them in territory outside the city of the home office. They were to be allowed, however, provided there were no state laws to the contrary, to open one intra-city branch in cities having from 25,000 to 50,000 population, and no more than two branches in cities having a population of 50,000 to 100,000.

The McFadden bill was reported back to the first session of the Sixty-eighth Congress with the recommendation that it be passed. But, owing to the adjournment of the House of Representatives, it did not come up for debate. It was introduced into the second session of the Sixty-eighth Congress, where, with the so-called Hull amendments, it was passed and sent to the Senate. The Hull amendments would have prevented a national bank, located in a state that prohibited branch banking, from ever obtaining branches if in the future the laws of that state were changed so as to permit state banks to have branches. The Senate did not act upon the measure during the second session, and the bill had to be introduced again into the House when it convened

for the Sixty-ninth Congress. It was passed, sent to the Senate, vigorously debated and finally passed, but without the Hull amendments. The bill then went to conference, and the conferees of the two houses agreed to disagree. At the meeting of the American Bankers Association in Los Angeles in the fall of 1926, that body went on record as reversing its earlier attitude in favor of the anti-branch banking features of the bill, and voted to support the measure with the Hull amendments eliminated. When Congress again assembled, the McFadden bill without the Hull amendments was adopted. It was then signed by President Coolidge on February 25, 1927.

In this place we are interested only in those sections of that measure that relate to the subject of branch banking. The McFadden Act permits state banks upon nationalization, or upon entering the Federal Reserve system, to retain all those branches in lawful existence as branches on February 25, 1927, but any branch acquired after that date, if located outside the city of the home office of such banks, must be relinquished. National banks, located in states which permit branch banking, are allowed to establish one local branch in cities of 25,000 to 50,000 population, two branches in cities ranging from 50,000 to 100,000, and any number of local branches in cities of greater population, depending, however, upon the approval of the United States comptroller of the currency. In California at present there are but eleven cities which have a population of 25,000 or more. Banks belonging to the Federal Reserve system will be permitted by the terms of the McFadden Act to establish branches in those cities on the following basis: one in Stockton, Alameda, Fresno and Pasadena; two in Berkeley, Long Beach, Sacramento and San Diego; and two or more, depending upon the approval of the United States comptroller of the currency, in Los Angeles, San Francisco and Oakland.

During January and February, 1927, developments in the field of branch banking came rapidly in California. In fact, so swiftly did events take place that one had difficulty in keeping in touch with them. One element in the situation was the fact that the McFadden bill without the Hull amendments was being considered by Congress and had a fair chance of becoming a law. The other element was the appointment of a new state superintendent of banks, Will C. Wood, who shortly after taking office

announced that he would not be bound by the branch banking rules which had been formulated and enforced by his two predecessors. On January 27, he approved the merger of the Liberty Bank, the Bank of America, the Commercial National Trust & Savings Bank, and the Southern Trust & Commerce Bank of San Diego into the Liberty Bank of America, with 136 branches.

The application for a similar merger had lain for a year before the previous superintendent of banks without being acted upon either favorably or unfavorably. The Bancitaly Corporation was also active during January in acquiring banks in various parts of the state. From January 1 to January 27, twenty-seven banks had been obtained in the following places: Stockton, Angels Camp, three in San Diego, Morgan Hill, La Mesa, Ontario, Sausalito, San Rafael, San Anselmo, South San Francisco, San Bernardino, Oceanside, Martinez, Santa Cruz, Half Moon Bay, Brawley, El Centro, La Jolla, Coronado, National City, Chula Vista, and four in Long Beach. Many of the banks so acquired were turned over to the Liberty Bank of America. There was also a shifting of branches between the Bank of Italy and the Liberty Bank of America. On January 28, the latter obtained control of the Ojai State Bank.

On February 10, Wood declared that he had definitely discarded the *de novo* rule, and that he had approved the request of the Liberty Bank of America to establish fourteen new branches outside the city of the home office. Four of the branches so sanctioned were located in Oakland, and ten in Los Angeles. He also stated that he would not follow the rule which forbade the purchase of banks in other cities unless those banks had been in existence for at least three years, and gave permission to the Liberty Bank of America to purchase nine banks that had been in operation for less than that length of time. The latter were as follows: Encinal National Bank of Alameda, Commercial National Bank of Berkeley, National Bank of Martinez, Home Savings & Commercial Bank of San Anselmo, San Leandro National Bank, Commercial National Bank of Santa Maria, Producers Bank of Sutter County at Yuba City, Oceanside Commercial & Savings Bank, and National Bank of Commerce in Pasadena. At the time this announcement was made the Liberty Bank of America had ninety additional applications pending before the superintendent of banks. A week later the Liberty Bank of

America was authorized to acquire and operate the following banks as branches: Merced Security Savings Bank with a branch at Atwater, Bank of Pleasanton, Bank of Beverly Hills, and the National Bank of Beverly Hills. It was also permitted to open a new branch in Emeryville, and two new branches in Oakland.

The American Trust Company of San Francisco also entered the lists at about this time and was granted permission to purchase the Mission Savings Bank of San Francisco, which it had previously controlled in a roundabout manner, and the Bank of Sausalito, and also to open six new branches in Oakland, Berkeley and Piedmont. The Pacific Southwest Trust & Savings Bank of Los Angeles was allowed to take over and merge the Glendale Savings Bank and branch at Montrose, with its Glendale branch.

On February 15, Wood gave his approval to the merger of the Liberty Bank of America with the Bank of Italy. On February 19, that merger was also approved by the Federal Reserve Board, the sanction of the latter being necessary because the Bank of Italy was a member of the Federal Reserve system and desired so to remain. On February 25, President Coolidge signed the McFadden bill. On February 28, the Bank of Italy entered the national banking system as the Bank of Italy, National Trust and Savings Association. The Bank of Italy, therefore, had succeeded in accomplishing the following things:

1. Built up, despite the *de novo* rulings of the two preceding state superintendents of banks (Dodge and Johnson), a state-wide system of 276 branches, covering every important city in California.

2. Drew this state-wide system of branches into the Federal Reserve system in spite of the apparently adverse rulings of the Federal Reserve Board.

3. Swiftly carried out the final steps of the plan just before the McFadden bill was signed by President Coolidge, thus placing itself beyond the possibility of any competition in the future as the only bank likely to be established on a state-wide basis. Although state banks with branches may nationalize, they may take into the national banking or Federal Reserve systems only those branches established before February 25, 1927. No other bank in California is within even striking distance of the Bank of Italy, the second largest number of branches being controlled by the Pacific Southwest Trust & Savings Bank, which on February 25, 1927, had ninety-nine offices.

4. Finally, took its state-wide system of branches into the national banking system.

As the years come and go, the financiers and lawmakers of the nation will continue to watch branch banking developments in California with considerable interest. What the future has in store for us, no one knows, although we have many prophets among us at the present time.

CHAPTER XXVI

THE FEDERAL FARM LOAN SYSTEM IN CALIFORNIA

The Federal Farm Loan Act was passed by Congress on July 17, 1916. It was in part the result of a long campaign carried on by the agricultural interests of the nation for some means of providing the farmers with long term credit. Agriculturists had been able to obtain thirty, sixty and ninety day loans from commercial banks, and loans running to five years from savings banks, but such loans were of too short duration to provide the necessary funds with which to finance long time operations. It was impossible for the farmer to purchase land, bring it under cultivation, plant orchards, start a dairying project, etc., without being compelled to consider his long time financial needs. So far as is known, no careful, scientific study of the situation in the United States had been made by any official or unofficial body. It was taken more or less for granted that long time farm credits should be provided.

A commission to investigate rural credits in Europe was appointed by the President of the United States and made its report to Congress in 1913. Several bills were introduced but they attracted no attention from the politicians. When preparations were being made for the political campaign of 1916, it was deemed advisable to take some action on the matter of agricultural credits, and as a consequence, one of the bills was revived, again introduced, amended, passed, and finally signed by President Wilson on July 17, 1916, as the Federal Farm Loan Act. The objects of this measure were to provide capital for agricultural development; to create standard forms of investment based on farm mortgages; to equalize rates of interest on farm mortgages; to furnish a market for United States bonds; to create government depositories and fiscal agents for the United States, etc. A Federal Farm Loan Board, with general jurisdiction over the entire farm loan system, was appointed by President Wilson on August 7, 1916. It was clothed with power to interpret the law,

to pass general regulations, and to appoint four out of the seven directors of each Federal land bank. Originally the loan board was composed of five members, the secretary of the treasury being an ex officio member, but on March 24, 1923, the number was increased to seven.

The United States commission which had made a study of rural credits in Europe was very much impressed with the great number and the extent of the activities of the foreign coöperative associations which provided long time loans for their members. In the United States, however, coöperative associations of any kind have not as a rule been successful over a long period of time. It was therefore deemed inadvisable to attempt to transfer the European methods to the United States for fear that they would not work out satisfactorily. Consequently, a plan had to be devised adapted to American needs, customs and practices. The Federal Farm Loan Act, therefore, provided for a division of the country into twelve separate districts, not identical with the Federal Reserve districts, in each of which there was to be established a Federal land bank, an incorporated institution which would make loans to farmers through coöperative associations known as national farm loan associations. The Federal Farm Loan Board, after traveling some twenty thousand miles, holding hearings in forty-four cities and spending about nine weeks on the task, finally located the twelve Federal land banks in the following cities: Springfield, Mass., Baltimore, Md., Columbia, S. C., Louisville, Ky., New Orleans, La., St. Louis, Mo., St. Paul, Minn., Omaha, Neb., Wichita, Kas., Houston, Tex., Spokane, Wash., and Berkeley, Cal.

Each of these Federal land banks was originally capitalized at \$750,000, the exact amount of the stock of each bank fluctuating with the loans made. Stock subscriptions were open to the public for thirty days, during which time only \$120,905 of stock was taken. The remaining amount, \$8,879,095, was subscribed by the Treasury of the United States. The Federal government also appropriated over \$400,000 for the expenses of the Federal Farm Loan Board, afforded free printing, and the use of the attorney-general of the United States and the departments of Agriculture and the Treasury, without charge.

Under the terms of the law, and especially during the first year following the inauguration of the Federal Farm Loan sys-

tem, Federal land banks were not supposed to lend directly to individual farmers; all loans were to be made through the national farm loan associations. The latter were to be composed of at least ten farmers, who desired loans for agricultural purposes. At first, the minimum and maximum loans that could be applied for were \$100 and \$10,000 respectively. In 1923, however, the maximum was increased to \$25,000. The smallest aggregate amount for which these ten or more members of a loan association could apply was \$20,000. Loans were to be made for any definite period ranging from five to forty years. But, if a person had obtained a loan for, say, twenty-five years, he could, with the consent of the Federal land bank, pay it off at any time between the fifth year and the date of the maturity of the loan. Loans could be made only to actual farmers, who cultivated their lands with their own labor or with hired help. The money received from the Federal land banks could be expended for the purchase of land, equipment, live stock, etc., or for the liquidation of a previous indebtedness of the owner on mortgaged land, provided the debt existed at the time of the organization of the national farm loan association through which the loan was obtained.

The national farm loan associations were to be incorporated bodies, receiving their charters from the Federal land bank of the district. Their capital stock, like that of the Federal land banks, was to vary with the extent of the loans made. Members of the national farm loan association, in applying for their loans, were compelled to subscribe for the stock of the loan association to the extent of five per cent of their individual loans. The association in its turn was to take this five per cent subscription and purchase stock in the Federal land bank of the district, the latter holding the stock so purchased as partial security for the money loaned. On December 31, 1926, there were 4,665 national farm loan associations in existence.

The act also provided for the incorporation of joint stock land banks, which were in reality private mortgage banks authorized to operate under the jurisdiction of the Federal Farm Loan Board and independent of the Federal land banks. They were to be chartered by the Federal Farm Loan Board with a minimum capital stock of \$250,000, and with at least ten stockholders. Joint stock land banks were authorized to loan directly to the farmers

on property in the state in which the joint stock land bank was established or in a contiguous state. Loans up to \$50,000 could be made to any one person. In all cases, loans, either through the Federal land banks or the joint stock land banks, were not to be for more than 50 per cent of the appraised value of the land or 20 per cent of the appraised value of the permanent improvements. Both joint stock land banks and Federal land banks were authorized to issue bonds secured by first mortgages obtained from their respective borrowers. The bonds of the former were to be the individual liability of the joint stock land bank which had issued them, but the Federal land bank bonds were to be the joint liability of all of the twelve Federal land banks. Joint stock land banks were permitted to loan to others than actual farmers. On December 31, 1926, there were 58 joint stock land banks located in various parts of the United States.

The Federal Farm Loan system began operations in March, 1917, under the most adverse circumstances. The United States had just entered the World War, interest rates were rising, Liberty Bonds were being placed before the public, and as a consequence, the Federal land banks experienced great difficulty in marketing their first bond issues. Congress finally authorized the secretary of the treasury to buy the bonds of the Federal land banks, and approximately one-half of the amount, which had been issued up to June 30, 1919, was purchased by the Federal government. The constitutionality of the Federal Farm Loan Act was tested before the United States Supreme Court in 1919, which sustained it on the points that had been raised.

THE FEDERAL LAND BANK OF BERKELEY

In these volumes we are concerned only with the operation of the Federal Farm Loan system so far as it affects the Federal Land Bank of Berkeley, California. That institution was chartered April 3, 1917, and has jurisdiction over the states of California, Nevada, Utah and Arizona. The first group of directors appointed to carry through the temporary organization was composed of the following: B. G. White of San Francisco, president; Prof. Elwood Mead of the University of California, Berkeley, and R. L. Douglas, of Nevada, vice presidents; S. A. Reed, of San Diego, secretary; and Dr. G. Thomas of Utah, treasurer. W. H.

Joyce of Los Angeles was appointed secretary in June, 1917, and was elected president a few months later. W. D. Ellis replaced Thomas as treasurer, and became secretary in November, 1919. In April, 1920, he succeeded Joyce as president, Joyce having in the meantime been appointed a member of the Federal Farm Loan Board. Joyce, however, resigned from the latter position in July, 1922. The first board of directors to serve after the permanent organization of the Berkeley Federal Land Bank, effective June, 1923, was as follows: W. D. Ellis, director at large; George Sawyer, of Arizona, elected from District No. 1; John T. Wilson, of San Fernando, elected from District No. 2; and S. S. Smith, of Ogden, Utah, elected from District No. 3. The appointed directors were: A. M. Morton, R. T. Evans, and S. Ely.

From the date of its organization to October 31, 1926, the Berkeley bank has loaned funds to 15,563 borrowers, the total amount so loaned to all borrowers in the four western states of California, Arizona, Nevada and Utah aggregating \$57,726,900. The Federal Land Bank of Berkeley has operated most conservatively, especially as to its appraisal of lands and the making of loans thereon. It has had to foreclose in a relatively few cases. Up to December 31, 1926, it had instituted 342 foreclosure proceedings, and had been compelled to assume a loss of \$7,628.42 on the lands which it had disposed of, although it still held 119 parcels of land valued at \$961,585. The Berkeley bank has operated successfully. Its total net earnings for the year 1926 amounted to \$335,190.97.

During the first year of operation (1917), 74 national farm loan associations were chartered by the Berkeley bank to operate in California, representing 2,378 borrowers who obtained loans aggregating \$1,452,600. The number of associations increased gradually after 1917, and on December 31, 1926, there were 106 such organizations in existence in California. A total of 8,618 loans, aggregating \$33,801,900, has been made by the bank to farmers in California since it opened for business. This indebtedness was secured by 884,594 acres of land. Seventy-five per cent of that amount was loaned to pay off mortgages, 11 per cent to pay for debts other than mortgages, 7 per cent to pay for buildings and other improvements, and the remainder for other purposes. During the year ending October 31, 1926, there were 146

sales of land made in California by the Berkeley Federal Land Bank, on which \$491,600 had been loaned. These lands were sold for \$1,550,887.06, although they had been appraised at \$1,267,-829.90, or at the rate of about 82 per cent of their sales price.

There have been relatively few joint stock land banks organized in the district of the Berkeley Federal Land Bank. Only two groups of financial interests have entered the field. The first group controls the Pacific Coast Joint Stock Land Bank of San Francisco, operating in California and Nevada, the Pacific Coast Joint Stock Land Bank of Los Angeles, operating in California and Arizona, the Pacific Coast Joint Stock Land Bank of Portland, operating in Washington and Oregon, and the Pacific Coast Joint Stock Land Bank of Salt Lake City, operating in Idaho and Utah. These joint stock land banks are all owned by the following banks and trust companies: the Security Trust & Savings Bank, Los Angeles; the First National Bank, Los Angeles; the Pacific Southwest Trust & Savings Bank, Los Angeles; the First National Bank, Portland; Walker Brothers Bankers, Salt Lake City; the National Copper Bank, Salt Lake City; Utah State National Bank, Salt Lake City; Deseret National Bank, Salt Lake City, and the American Trust Company of California, San Francisco.

The Pacific Coast Joint Stock Land Bank of San Francisco has a paid up capital stock of \$600,000; that of Los Angeles, \$400,000; that of Salt Lake City, \$250,000; and that of Portland, \$350,000. Each of these banks is a member of the Association of Pacific Coast Joint Stock Land Banks, a voluntary organization established for the purpose of co-ordinating and establishing uniform practices among the above joint stock land banks. On December 31, 1926, the following loans were outstanding: Pacific Coast Joint Stock Land Bank of San Francisco, \$11,240,-875.80; Pacific Coast Joint Stock Land Bank of Los Angeles, \$7,060,186.08; Pacific Coast Joint Stock Land Bank of Portland, \$6,445,168.50; the Pacific Coast Joint Stock Land Bank of Salt Lake City, \$4,042,318.56.

The California Joint Stock Land Bank, controlled by the Bancitaly Corporation, was chartered in the fall of 1919, with a capital stock of \$250,000, fully paid up. It operates in the states of California and Oregon. On December 31, 1926, it reported outstanding loans aggregating \$12,084,954.18.

THE FEDERAL INTERMEDIATE CREDIT BANK OF BERKELEY

Congress, by means of the Federal Farm Loan System, made possible the granting of long time agricultural loans. No provision, however, had been made for financing the marketing operations of the farmers or the raising of live stock. After considerable agitation on the part of agricultural groups, coöperative marketing associations, and live stock companies, Congress on March 4, 1923, enacted a law which authorized the establishment of Federal Intermediate Credit Banks, designed to care for the short time financial needs of the farmers. Twelve of these banks were established in the same cities as the twelve Federal land banks, and operate directly under the supervision of the Federal Farm Loan Board. Their officers and directors are the same as those of the Federal land banks, although their books, records, and funds are kept separate from those of the latter. The intermediate credit banks are empowered to lend funds to agricultural coöperative organizations for the purpose of financing stock raising and marketing operations. They are also authorized to rediscount, for banks and agricultural coöperative associations, certain kinds of commercial paper based on agricultural commodities. Each of the twelve intermediate credit banks has a capital of \$5,000,000, subscribed entirely by the Federal government. Thus far, only \$2,000,000 has been called for by each of these institutions.

The Federal Intermediate Credit Bank at Berkeley, having jurisdiction over the states of California, Nevada, Utah, and Arizona, was organized on March 26, 1923. Down to date more than 30,000 farmers and stockmen in the territory mentioned have borrowed in excess of \$30,000,000, not as individuals, for the bank makes no loan to individuals, but through their coöperative marketing organizations, agricultural credit corporations, or live stock loan companies. The loans to coöperatives have been made on paper, running for short lengths of time not in excess of three years, on such commodities as raisins, canned fruit and vegetables, prunes, rice, hay, olive oil, wool, grain, cotton, alfalfa, and other eligible products. According to the law all loans and discounts must have a maturity of not less than six months and not more than three years, but under the rules first adopted the maximum limit was placed at nine months for loans and discounts, although later it was changed to six months on loans to

coöperatives and one to three years on rediscounts. Just as a Federal land bank issues bonds and debentures secured by land mortgages, so an intermediate credit bank issues debentures on agricultural paper which it rediscounts and on notes for the loans which it has made. These debentures according to the law must not run for a longer period than five years and must not exceed in amount ten times the paid up capital and surplus of the intermediate credit banks. The debentures are the joint liability of the twelve intermediate credit banks.

On December 31, 1926, the Berkeley Intermediate Credit Bank had debentures outstanding amounting to \$11,000,000. A part of the earnings of an intermediate credit bank goes to pay a proportional share of the expenses of the Federal Farm Loan Bureau, and of the remainder, one-half goes to the United States treasury as a franchise tax and one-half to the surplus of the bank until the surplus equals 100 per cent of the bank's capital. After the latter maximum has been reached, then 90 per cent of the earnings are paid into the United States treasury and 10 per cent to the surplus of the bank. For the year 1926, the Berkeley Intermediate Credit Bank had net earnings of \$149,543.77, and paid into the treasury of the United States \$74,771.89. From the date of its incorporation to December 31, 1926, the Berkeley Intermediate Credit Bank loaned \$29,620,792.05, secured by warehouse receipts covering staple agricultural products, and rediscounted paper to the extent of \$12,288,874.60, practically all of which had been issued against live stock. On December 31, 1926, it had a balance outstanding on those transactions amounting to \$13,585,892.71.

Some of the coöperatives that have made use of the Federal Intermediate Credit Bank of Berkeley are the Sun Maid Raisin Growers of California, the California Coöperative Canneries, California Canning Peach Growers, Sutter Coöperative Growers, California Prune and Apricot Growers Association, Rice Growers Association, the Wyandotte Olive Growers Association, Mt. Ida Packing Company, California Olive Growers, and the Roosevelt Hay Growers of Phoenix, Arizona. These coöperatives have been accommodated to the extent of more than \$21,000,000. Some of these organizations have been assisted to the extent of more than \$5,000,000 during a single season. As Willard D. Ellis, president

and manager of both the Federal Land Bank of Berkeley and the Federal Intermediate Credit Bank of Berkeley has well said:

“Thus the Berkeley Intermediate Credit Bank is becoming an increasingly important factor in the orderly marketing of the agricultural products of the territory served by it. It is assisting in a material way to furnish the farmer with marketing credit and the live stock men with production credit commensurate with the slow turn-over in the business of agriculture. It would seem to have already firmly established itself as an essential element in the agricultural credit structure of the Southwest and to have vindicated the judgment of those who are responsible for the act which created it.”

The Agricultural Credits Act of 1923 also provided for the formation of national agricultural credit corporations which paralleled the organization of the Federal intermediate credit banks. Like the joint stock land banks, they are privately owned, are chartered by the United States comptroller of the currency, and have a capital stock of at least \$250,000. They are empowered to discount and rediscount notes or drafts, arising out of agricultural operations, running for not more than nine months, and based on documents giving title to staples or live stock. They are also permitted to discount or rediscount notes based on live stock for breeding or dairying purposes, provided such notes do not have a maturity of more than three years. They may issue debentures with a maturity of not more than three years, secured by agricultural paper. They are allowed to loan not in excess of ten times their capital stock. Not more than 20 per cent of their capital stock may be loaned to one party, except when the transaction is secured by warehouse receipts, in which case a loan may equal 50 per cent of the capital and surplus of the lending institution.

Only one national agricultural credit corporation has thus far been chartered in this western district, viz., the Pacific National Agricultural Credit Corporation of San Francisco, with offices at Red Bluff, Fresno and Los Angeles and with representatives in Arizona, Nevada and New Mexico. It is capitalized at \$500,000, and makes loans as large as \$100,000 to a single party. Although it is not limited to making loans on live stock, nevertheless its business down to date has been of that character.

CHAPTER XXVII

BANKERS' ASSOCIATIONS IN CALIFORNIA

The first suggestion, looking toward the organization of a bankers' association, came from the State Board of Bank Commissioners, which in its report of July 1, 1890, remarked that a convention of California bankers would prove to be both a pleasant and a profitable meeting. It urged that such an organization should meet annually. In addition to disseminating valuable information dealing with financial matters, the commissioners suggested that the association would be able to wield great influence in uniting the opinion of the state's financiers on important national topics. In December, 1890, the members of the Los Angeles Clearing House Association determined to see what could be done to form a "Bankers Association of California." On January 14, 1891, a letter was sent to the banks of the state signed by George H. Stewart, secretary, and A. D. Childress, W. F. Bosbyshell and H. W. Hellman, as members of the clearing house committee, extending an invitation to all state bankers to assemble at Los Angeles on March 11, 1891, for the purpose of organizing such an association. The object was stated to be,

"to induce harmony and promote the welfare and usefulness of banks and bank institutions in California, and to secure the proper consideration of questions regarding the financial and commercial usages, customs and laws affecting the banking interests of our great state, and especially to adopt such rules and methods as will insure uniformity of action in the conduct of our institutions."

Ninety-four delegates responded to the invitation and assembled in Los Angeles for a three-day meeting, beginning March 11, 1891. These 94 bankers came from 77 banks located in various parts of the state. There were also present two bank commissioners, one former bank commissioner, and one national bank examiner. The San Francisco banks more or less held aloof, and

did so for many years. Only six San Francisco banks were represented at the first gathering.

George H. Stewart called the convention to order and introduced E. F. Spence, president of the Los Angeles Clearing House, who presided over the subsequent proceedings. Addresses were made on the "Scope of a State Bankers Association," "Notes versus Accounts," "Duties of Bank Commissioners," "Commercial Note System versus Open Accounts," "Gratuitous Work Done by Banks," and similar topics. As a result of the deliberations of this gathering, the California Bankers Association was formally organized with the following officers: president, Thomas Brown, Bank of California, San Francisco; vice president, Isaias W. Hellman, Nevada Bank, San Francisco; secretary, George H. Stewart, Los Angeles County Bank, Los Angeles. Dues were placed at \$10 per bank or banker. At the Fresno convention in 1895, it was deemed advisable to reduce the amount of the dues so as to make membership in the association a little more attractive to the smaller banks. At that time, dues were fixed at \$5 for those institutions which had a capital of \$50,000 or less, and \$10 for those which had a capital in excess of \$50,000. In 1907, a more detailed system of graded dues was adopted.

At present, banks with \$50,000 capital or less pay dues of \$10, while those with a capital of over \$3,000,000 pay dues of \$150. Banks with a capital between the above limits pay dues varying with the amount of their capital stock. Fees include a subscription to the Bulletin of the California Bankers Association. Before adjournment of the organization meeting, it was decided to hold the first annual convention of the association in San Francisco on October 14-16, 1891.

The formation of the California Bankers Association was due in a great measure to the initiative of George H. Stewart, cashier of the Los Angeles County Bank. He was its first secretary, and retired only when the panic of 1893 imposed upon him certain responsibilities which required that he devote all of his time to other matters. Shortly thereafter, he retired from the field of banking and engaged in other commercial pursuits. He died in Woosung, China, on January 12, 1913, while on a vacation trip.

The California Bankers Association was the fifteenth association of that character to be organized in the United States. When it met in San Francisco in October, 1891, the secretary was able to

First Officers California Bankers Association

Organized
Wednesday Evening
March 11, 1891
Council Chamber
New City Hall
Los Angeles
California



E. F. Spence

CHAIRMAN

CALIFORNIA BANKERS ASSOCIATION



L. W. Hellman Sr.

FIRST VICE PRESIDENT

CALIF.



Thomas Brown

FIRST PRESIDENT

CALIFORNIA BANKERS ASSOCIATION



G. H. Stewart

FIRST SECRETARY

CALIF.



G. W. Kline

FIRST TREASURER

CALIF.

report a membership of 151 banks out of a possible membership of 246. The first membership fee was received from the Santa Barbara County National Bank on March 24, 1891. During the first few conventions, the question of free silver proved to be the most burning issue before the delegates. At the October, 1891, meeting, a resolution was introduced asking the convention to go on record as opposed to the free and unlimited coinage of silver. A bitter debate ensued, some of the delegates insisting that the association should not pass resolutions dealing with controversial subjects. A. C. Henry of Oakland in a fiery address declared that, "No, if this convention of bankers has not the courage to place itself upon record, either for or against the subject, then, in God's name, what are we here for?" A motion opposing free silver was adopted unanimously.

The second annual convention was also held in San Francisco, September 5-6, 1892, as was the third convention on February 22-24, 1894. There was no meeting in 1893, owing to the panicky conditions existing throughout the United States. It had been planned to hold the 1892 convention in Fresno, but the bankers of that city waived their claims in order that the annual meeting might be held in San Francisco in conjunction with the convention of the American Bankers Association. Again in 1894, the convention was held in San Francisco so as to make it possible for the bankers of the state to visit the Mid-Winter Exposition.

In the 1892 convention a resolution was introduced by C. C. Bush of Redding asking that the association appoint a committee to investigate and report at the next meeting as to what the California Bankers Association could do to promote higher business education. At the 1894 convention, the committee submitted an extensive report, which concluded with a request that the executive council of the association confer with the presidents of Stanford University and the University of California, and ascertain whether or not it would be possible to establish courses dealing with business education in either or both of those institutions. If it were found impracticable to do so, then the executive council was authorized to arrange for a series of lectures in the city of San Francisco, devoted exclusively to finance and the history and theory of money, to be given under the auspices of the association and later to be published in pamphlet form for distribution among the members. Thus, early in the history of the association the

need for the education of the banking profession as well as of the public was recognized. It was not until some years later that the first chapter of the American Institute of Banking was organized in San Francisco, and many more years were to elapse before the association was to appoint its committee on education, which since that time has done such excellent work in educating the people of California to appreciate the need and value of our banking institutions.

At the 1894 convention, J. M. Elliott of the First National Bank of Los Angeles, read a carefully prepared paper analyzing the defects of the State banking law then in effect. It was thoroughly discussed, and resulted in the recommendation that the executive council of the association meet with the bank commissioners and discuss the needed legislation suggested by Mr. Elliott. As a consequence, the banking law of the State was amended in many important regards by the Act of May 26, 1895. This is undoubtedly the first instance in which the influence of the California Bankers Association was exerted in shaping bank legislation. In 1908, its legislative committee wielded great weight in drafting the terms of the measure which later became the Bank Act of 1909. Since that time, the influence of the California Bankers Association has continually been felt in connection with all legislation affecting banking interests.

The California Bankers Association had a most difficult time keeping alive. The membership of 151 banks in 1891 increased to 175 in 1894. Then as a consequence of the stagnation in business circles, there came a noticeable decline; in 1897, there were only 150 members. R. M. Welch, who was then connected with the San Francisco Savings Union, became secretary of the association in 1893. For many years he nursed the association along, trying to keep it alive. By 1900, it had fallen into what might be called "innocuous desuetude." The San Francisco bankers did not take kindly to the organization, it being felt that the organization was made up of a small number of country bankers who gathered once a year "for mutual admiration." At the Sacramento meeting in 1900, 26 members of the association were present, only two of whom were from San Francisco, i. e., Lovell White, formerly president of the association, and D. M. Welch, its secretary. Beginning about 1902, however, a greater interest was aroused and the membership increased rapidly, until at the

1926 convention at Del Monte a membership of 1,125 was reported with possibly a thousand or more members, wives and visitors, in attendance.

The following bankers have served as president of the association:

1891—Thomas Brown	Bank of California, San Francisco
1892—I. W. Hellman	Nevada Bank, San Francisco
1894—Lovell White	San Francisco Savings Union, San Francisco
1895—N. D. Rideout	Rideout Banks, Marysville
1897—J. J. Valentine	Wells Fargo & Company's Bank, San Francisco
1898—J. J. Valentine	Wells Fargo & Company's Bank, San Francisco
1900—C. Altschul	London-Paris & American Bank, San Francisco
1901—J. M. Elliott	First National Bank, Los Angeles
1902—J. K. Lynch	First National Bank, San Francisco
1903—J. K. Lynch	First National Bank, San Francisco
1904—A. H. R. Schmidt	German Savings & Loan Society, San Francisco
1905—I. F. Moulton	Bank of California, San Francisco
1907—G. W. Peltier	California National Bank, Sacramento
1908—J. D. Radford	German-American Savings, Los Angeles
1909—H. S. Fletcher	Bank of Watsonville, Watsonville
1910—W. H. High	International Banking Corporation, San Francisco
1911—Stoddard Jess	First National Bank, Los Angeles
1912—A. E. Edwards	First National Bank, Pasadena
1913—L. P. Behrens	First National Bank, Redwood City
1914—R. M. Welch	Savings Union Bank & Trust Company, San Francisco
1915—C. A. Smith	Security Bank, Oakland
1916—J. M. Henderson, Jr.	Sacramento Bank, Sacramento
1917—F. J. Belcher, Jr.	First National Bank, San Diego
1918—W. D. Longyear	Security Trust & Savings Bank, Los Angeles
1919—G. S. Meredith	Farmers & Merchants Savings, Oakland
1920—J. B. McCargar	Crocker National Bank, San Francisco
1921—W. S. Clayton	First National Bank, San Jose
1922—H. S. McKee	Merchants National Bank, Los Angeles
1923—H. C. Carr	First National Bank, Porterville
1924—L. S. Chandler	California Bank, Los Angeles
1925—J. E. Huntton	Peoples Bank, Sacramento
1926—W. E. Wilcox	Anglo & London Paris National Bank, San Francisco

G. W. Kline of the Crocker Woolworth Bank of San Francisco was the first treasurer of the association, serving from 1891 to 1906. J. J. Fagan, likewise of the Crocker Woolworth National Bank, succeeded him, and served until 1911. Since that time, the office has been made a more or less temporary affair, the incumbents serving for only one or two years. The association has had but four secretaries. G. H. Stewart of Los Angeles served from 1891 to 1893. A. D. Childress of Los Angeles served for a few months, and was succeeded by R. M. Welch of San Francisco, who remained in that position from 1893 to 1911, when F. H. Colburn, the present secretary, who had been assistant secretary for four years, was elected. For about 20 years the California Bankers Association was housed without charge in quarters provided by the Savings Union Bank & Trust Company of San Francisco, the secretary, R. M. Welch, being connected with the latter institution, had made that arrangement possible. In 1913, the office was moved to the present location in the Mills Building, San Francisco.

On January 17, 1920, the executive council of the association approved the establishment of a monthly bulletin for the purpose

of providing a direct medium for transmitting to members reports of committees, group meetings, general banking news of California, and other items that might be of interest to the bankers of the state. The Bulletin has been published monthly since that date and has proved to be of increasingly great value to the bankers of California, providing them with a vast amount of information not found in other journals. In October, 1920, the members of the association were notified that they might submit questions involving problems of banking law or commercial law and receive opinions and legal advice from competent authority without charge. This proved to be welcome news to the small banks in the outlying districts, which were unable to retain a lawyer on their staffs. On December 18, 1920, the executive council established a committee on education, clothed with authority to carry on an educational campaign for the purpose of educating the public relative to banking principles and practices. For many years the association has also operated a protective department. Before 1905, the work of the protective committee was fairly ineffective, but at the Oakland convention of that year, the sentiment was officially expressed that that service was the most important and generally beneficial activity rendered to the members. Additional funds were at that time provided to carry on the work in a more satisfactory and effective manner.

At the 1914 convention in Oakland, the question arose as to whether or not it would be advisable for the California Bankers Association to create a mutual insurance company empowered to write burglary insurance and fidelity bonds for its members. It had been done elsewhere, and it was proposed that a similar organization be formed in California. In 1916, the insurance committee of the association reported that such a department should be created. A circular was sent to all members, but up to the present time nothing has been done to put such a plan into effect. In 1914, a committee on standard bank forms was appointed, which made its first report in 1915. The work of that committee has been of great value to the bankers of California, every effort being made to standardize the forms used by bankers so as to make their work more efficient and satisfactory. In 1917, a trust section was organized, and since that time it has held its annual meetings in conjunction with the association, discussing problems that are of importance to bankers engaged in trust company activities.

Following the panic of 1907, considerable discussion was had by the association relative to needed reforms in the state and federal banking systems. At the 1908 convention, the important suggestion was made that a State Clearing House Association be formed to include, if possible, all the banks of the state. The state was to be divided into districts, each district to be managed by a local committee functioning under a State Clearing House Association. Each district was to have in its employ an expert accountant to examine all banks in the district. It was also suggested that a state superintendent of banks should be appointed in place of the then existing board of bank commissioners, and that he should, so far as possible, employ the examiners of the district clearing house associations to make examinations of all state banks. All banks were to be required to publish periodically in the local papers a statement of their condition. A committee of three was appointed by the Bankers Association to take charge of the details of organizing the proposed State Clearing House Association.

The committee met and divided the state into districts. Some districts went so far as to form their local organizations, and a few had practically decided upon their examiner, but the State Bank Act of 1909, passed with the aid of the California Bankers Association, seemed to make it unnecessary to put the plan in operation. It was therefore deemed advisable to postpone further action until it could be seen how the State Bank Act would work out in practice. So satisfactorily did the State Bank Act function that nothing further was done with the proposed State Clearing House Association. The 1908 convention held at Pasadena was devoted almost solely to discussing the need of a new bank act. The meeting of 1909 in its turn was given over to the discussion of the Bank Act of 1909. At the 1911 convention, a number of speeches were made on the proposals of the National Monetary Commission looking toward the revision of the banking and monetary systems of the United States. Subsequent conventions have been devoted in part to a discussion of the problems arising out of the Federal Reserve Act and its administration.

The California Bankers Association excellently served its purpose as a state organization, but many bankers soon began to feel that they had local problems, of which the state association could not take cognizance. They also thought that district associations

would bring the local bankers more intimately in touch with one another. As a consequence various county bankers' associations were organized throughout the state, beginning so far as I have been able to ascertain, with the Ventura County Bankers Association formed on February 28, 1907. Since that time, similar county associations have been started in other parts of the state. It has been impossible to collect detailed information regarding all those associations, but the available data disclose the following and their time of organization: Ventura County Bankers Association, February 28, 1907; Orange County Bankers Association, April 14, 1908; Riverside County Bankers Association, about 1909; Imperial Valley Bankers Association, about 1914; Mendocino County Bankers Association, about 1916; Contra Costa County Bankers League, September 15, 1917; San Bernardino County Bankers Association, August 30, 1918; Bankers Association of North Orange County, May 16, 1919; Humboldt County Bankers Association, May 11, 1920; Citrus Belt Bankers Association, April 16, 1921; Stanislaus County Bankers Association, January 28, 1922; San Diego County Bankers Association, November 15, 1922; San Fernando Valley Bankers Association, July 24, 1924; Monterey Peninsula Associated Banks, April 21, 1925; Association of San Joaquin Valley Banks, May 13, 1925; Associated Banks of Alhambra, San Gabriel and Monterey Park, May 19, 1925; and Placer and Nevada Counties Bankers Association, November, 1926. Other county associations were organized, but after being active for some years, finally disbanded. Some of the latter are as follows: The San Mateo County Bankers Association, organized on June 7, 1911; the Bankers League of Merced and Stanislaus Counties, organized on January 27, 1912; and the Los Angeles County Bankers Association, whose date of organization I have been unable to ascertain.

These county associations have been very helpful in bringing the bankers of the county closer together, in ironing out local jealousies, in settling various matters of dispute, and in making for a more general feeling of friendliness. At times it has been found advisable for the banks in these associations to adopt uniform rules relating to closing and opening hours, the imposition of service charges, standardization of interest rates, etc. In some cases, meetings are held bi-monthly; in others, semi-annually.

Topics of timely importance are discussed, banking problems are debated, and resolutions are adopted to be forwarded to the State Legislature. During the Great War the county associations were helpful in furthering the sale of Liberty Bonds. The San Bernardino County Bankers Association now issues a monthly bulletin, "The Teller."

Out of these county associations has come a state-wide system of group organizations, embracing the bankers of various counties. The germ of the group idea may be traced to the 1908 convention of the California Bankers Association. The panic of 1907 had seriously affected the California banks, and as a consequence they were vitally interested in finding some method of averting future calamities. When the convention of 1908 assembled, a number of plans were discussed. Finally, as noted earlier in this chapter, it was decided to appoint a committee of fifteen to make a report on the advisability of organizing a State Clearing House Association, the idea being to divide the state into groups or districts in which district clearing houses were to be established, employing special bank examiners to watch over the affairs of the member banks.

At the 1909 convention of the Bankers Association held at Del Monte, the committee made its report and presented the details of an organization to be known as the "California State Clearing House Association." But the State Bank Act of 1909 had been passed and was to become effective on July 1st of that year. It was deemed advisable, therefore, to abandon, at least temporarily, the proposed clearing house association scheme. In delivering the presidential address before the 1909 convention, J. D. Radford suggested that the growth of the California Bankers Association during the preceding two or three years had made it appear advisable to divide the state into groups somewhat along the same lines as had been suggested by the State Clearing House Association Committee. He suggested six groups centered around the cities of San Francisco, Los Angeles, Fresno, Sacramento, San Jose and Santa Rosa. He thought that there was a community of interests in each of those districts, and that meetings could be held at which questions, that could not possibly come before the annual meetings of the state association, could be satisfactorily and fully discussed. He suggested that such group meetings should be held at times

convenient to group members and that generally they would take only a day's time. In concluding his remarks he stated that,

"I hope some move may be made by us in this convention, looking toward a modification of our constitution and by-laws, and a preparation for the next and logical step in our development. Almost every eastern state has tried the plan, and has found it advantageous. If it works well where distances are so small, it ought to be of more advantage to use in a state of such magnificent distances as California."

At the 1910 convention, a committee of three was appointed to investigate and report upon the advisability of establishing the group system in California. At the 1912 convention, the committee, composed of H. C. Carr, H. P. Goodman and H. P. Lincoln, reported favorably regarding the proposal, and urged that the group system be adopted. This was done by unanimous vote, and the executive council was authorized to proceed with the formulation of a desirable plan.

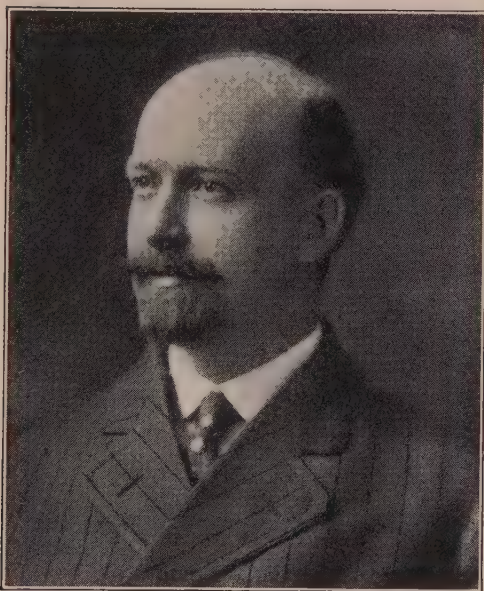
The Sacramento Clearing House Association, presided over by J. M. Henderson, Jr., was the first to take a step in this new field of endeavor, and on December 7, 1912, called a meeting of the bankers from the counties near by and proceeded to organize Group I. Alden Anderson was chosen president, and E. A. Brown, secretary. Group I now includes the banks in the following counties: Amador, Butte, Colusa, Eldorado, Glenn, Lassen, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, Shasta, Sierra, Siskiyou, Solano, Sutter, Tehama, Trinity, Yolo, and Yuba. On the evening of February 7, 1913, the bankers of Fresno, Madera, Kern, Kings, and Tulare counties assembled in Fresno for the purpose of discussing the advisability of forming Group II. A committee was appointed to report at a future date. On June 21, 1913, Group II was organized at a meeting held in Visalia, with Charles Griffith as president, and W. B. Nichols, treasurer. At the suggestion of C. F. Hamsher, cashier of the First National Bank of Los Gatos, representatives of the banks of San Jose and Santa Clara counties met at San Jose on February 19, 1917, to organize Group III, covering Monterey, San Benito, San Mateo, Santa Clara, and Santa Cruz counties. The first meeting of the new group was held on March 17, 1917, at which time C. F. Hamsher was elected president, and A. B. Post, secretary.

When W. E. Longyear became president of the California



(Courtesy, Coast Banker)

R. M. WELCH
Secretary, California Bankers Association,
1893-1911



(Courtesy, Coast Banker)

FREDERICK H. COLBURN
Secretary, California Bankers Association,
1911—

Bankers Association in May, 1918, he announced that one of his leading policies would be the perfection and extension of the state group system. Under his leadership, Group IV was organized on August 24, 1918, and Group V on September 6, 1918. Group IV comprises the bankers of Imperial, Orange, Riverside, San Bernardino, and San Diego counties. W. B. Clancy was chosen president, and J. W. Roberts, secretary. Group V comprises the bankers of Inyo, Los Angeles, and Ventura counties. A. E. Edwards was chosen the first president, and F. W. Sinclair, the first secretary. Group VI, comprising the bankers of Alameda, Calaveras, Contra Costa, San Jose, and Tuolumne counties, was organized on April 5, 1919. Group VII, which includes the bankers of San Luis Obispo and Santa Barbara counties, was formally organized on July 30, 1919. J. M. Warren was the first president, and E. F. R. Vail, the first secretary. Group VIII, covering the counties of Lake, Marin, Mendocino, and Sonoma, was formed on December 16, 1919, with J. R. Edwards, president, and W. T. Spridgen, secretary-treasurer.

On November 26, 1920, a group of San Francisco bankers assembled in the rooms of the American Institute of Banking for the purpose of forming a San Francisco Group of the California Bankers Association. It was decided to call the association the "San Francisco Group," rather than to have it known as Group IX. Russell Lowry was chosen president, and F. J. Willis, secretary-treasurer. The first formal meeting of this group was held on January 21, 1921. For the first time in the history of San Francisco, the bankers of that city had come together into a permanent organization. The last and final group to be formed was Group X, covering the counties of Humboldt and Del Norte, which was organized on March 14, 1922, with C. P. Soule, chairman, and Coll Deane, secretary-treasurer. This completed the scheme of group organization as fostered by the California Bankers Association, all of the counties of the state thus having been brought together into associations based upon geographical lines.

The group associations have usually held semi-annual meetings on Saturday afternoon and evening. The afternoon meeting is as a rule given over to a discussion of detailed banking problems, the speakers being members of the banking profession. A banquet and entertainment, or a banquet at which some outside speaker is asked to address the group on a topic of public interest,

usually brings the gathering to a close. The group meetings have enabled junior bank officers and employees to meet and to become acquainted with the leaders of the local banking world. Annual reports covering the group's activity are made to the convention of the California Bankers Association, and judging from the results that have thus far been obtained, it can be said that the group system has been of great service and benefit to the bankers of the state.

Although the bankers of California were slow in forming their first organizations, nevertheless at present there is hardly a phase of the banking field that is not represented by a state, local or district association of some kind. The savings banks of San Francisco and of Los Angeles have long had their local associations. The Los Angeles Savings Bank Association was organized on June 30, 1893, as a consequence of the results of the panic of that year. The events of that strenuous period forced the savings banks of that city to unite for mutual protection. Monthly meetings were held for some years. I have not been able to ascertain when the association finally disbanded. It was followed by the Associated Savings Banks and Trust Companies of Los Angeles, organized in April, 1910, with fourteen charter members, and included all local banks except those that were members of the Clearing House Association. The Associated Savings Banks of San Francisco was organized shortly after the fire and earthquake of April 18, 1906. On April 23 of that year, representatives of the various savings banks of San Francisco gathered for the purpose of taking united action in handling their business under the unusual and difficult conditions caused by that catastrophe. E. B. Pond, president of the San Francisco Savings Union, was elected president of the Associated Savings Banks of San Francisco, and W. E. Palmer, of the Humboldt Savings Bank, was elected secretary. During April and May, a number of meetings were held for the consideration of problems faced by the savings banks. On May 13, 1906, a resolution was adopted urging permanent organization. Such was finally effected on July 6, at a meeting at which six local savings banks were represented. R. M. Tobin of the Hibernia Savings & Loan Society was elected president, and W. E. Palmer of the Humboldt Savings Bank was elected secretary. Twelve savings banks signed the charter roll. Frederick H. Colburn was elected assistant secretary of the organ-

ization. At the close of 1926, the Associated Savings Banks of San Francisco had a membership of 26 savings institutions. R. M. Tobin was president, W. E. Bakewell of the Mercantile Trust Company was secretary-treasurer, and Frederick H. Colburn was assistant secretary.

There are two safe deposit associations in California. The San Francisco Safe Deposit Association was organized on October 3, 1911, and the California State Safe Deposit Association of Los Angeles in 1917. The Associated Trust Companies of Central California was organized November 28, 1919, for the purpose of bringing together the trust company officials of the banks that are located in Central California. A local trust company association was organized in Los Angeles in the latter part of 1924 for the purpose of raising the type of service rendered. Monthly meetings are held to exchange experiences and ideas. The employees of Los Angeles banks interested in the matter of escrows organized the California Escrow Association on November 17, 1925. Thus far this association has confined its activities solely to the southern part of the state.

The Los Angeles Bond Club is the outgrowth of the old Wall Street Club, which was active before the Great War, and which had a membership of five bond houses and twenty-five individuals. In 1923, the Bond Club had more than five hundred members, representing forty-eight of the important financial houses of that city. The San Francisco Investment Bankers Club was organized in the fall of 1919 by ten prominent investment banks of that city. On February 28, 1920, the investment bankers of California organized the California Group of the Investment Bankers Association of America.

The California Association of Bank Auditors was formed on October 23, 1923. It has two local chapters, the Los Angeles group being organized on October 23, 1923, and the Golden Gate Chapter of San Francisco on October 27, 1924. Monthly meetings are held by both chapters for the discussion of auditing problems. The state association meets annually. The credit men of the San Francisco banks formed a Bankers Chapter of the San Francisco Association of Credit Men on January 25, 1923. The employees of the credit departments of the Los Angeles banks established the Los Angeles Bank Credit Mens Association on November 12, 1923. These two local associations were grouped

into the California Bank Credit Mens Association, which held its first state conference on March 19-21, 1924, at the Palace Hotel in San Francisco in conjunction with the Fifth Annual California State Conference of Credit Managers.

The Mortgage Bankers Association of the State of California was formed in Oakland on October 8, 1926, at a meeting of thirty-five representatives of mortgage companies operating in Oakland, San Francisco and Los Angeles. It was established for the purpose of bringing more closely together those California financiers who are interested in mortgage banking. It will in time include a state-wide membership, uniting more than two hundred companies into a compact, helpful organization.

Mention has been made elsewhere in these volumes of the California League of Independent Bankers, organized on November 25, 1922, in opposition to the development of state-wide branch banking.

California bankers have likewise played a prominent part in the activities of the American Bankers Association. They have served on its important committees and in two instances they have held the highest position in the organization. James K. Lynch of San Francisco was elected president of the National Association in 1915, and John S. Drum of San Francisco was also chosen as its chief executive in 1920. The American Bankers Association has met in California on five different occasions, viz., in San Francisco in 1892 and 1903, and in Los Angeles in 1910, 1921 and 1926.

CHAPTER XXVIII

THE AMERICAN INSTITUTE OF BANKING

The American Institute of Banking, the educational section of the American Bankers Association, was established for the purpose of more satisfactorily equipping the young bank employes of the country for the greater responsibilities which they must face as they progress in the banking profession. Banking during the Nineteenth Century had become increasingly complex. In the earlier days, there was little or no need for well-rounded training. With the development of big business, foreign trade, larger banking units, etc., there came a demand for more thorough-going preparation and for a broader vision.

The organization of an educational institute, similar to the Institute of Banking in England, was occasionally discussed, but the first concrete effort to make such an ideal a reality took place in Minneapolis during the closing years of the Nineteenth Century. Joseph Chapman, Jr., at that time a clerk in the Northwestern National Bank of that city, had taken a course in commercial law at the University of Minnesota. He was impressed with the extent to which that course aided him in his everyday business relations, and subsequently induced about thirty fellow employes to form a study group and invite one of the instructors from the University of Minnesota to direct the class work. The results were so eminently satisfactory that, at the conclusion of the first year's work, the group proceeded to organize the first educational association of bank clerks in the United States. It was called the Minneapolis Bank Clerks' Association. Later, when the Institute of Banking was formed, the Minneapolis association became the nucleus around which the Minneapolis chapter of the Institute was organized. Joseph Chapman, Jr., later became the vice president of the Northwestern National Bank of Minneapolis. He is affectionately known among the institute members as the "father" of the Institute idea.

Although the Minneapolis Bank Clerks' Association was the first educational group to be established among American bank clerks, it was not, however, the source from which came the impetus to organize a national association. Some bank clerks in Buffalo and Louisville had been in correspondence with each other and had discovered that "there was a surprising amount of ignorance with respect to even simple matters of local banking practice." They finally drew up and signed a petition suggesting that an institute of bankers be formed in the United States similar to that which had been in operation for many years in England. This petition was sent to the Executive Council of the American Bankers Association, and was referred to the committee on education, finally being brought up for discussion at the 1899 Cleveland convention of the association. The idea appealed to the members of the association as being worthy of support, whereupon the committee on education was instructed to formulate a plan to carry out the proposal. During the succeeding year the committee considered all the various angles of the question, and in the fall of 1900 presented its report to the Richmond convention. The committee reported that:

"There is no question that the formation of a chain of bank clerk associations throughout the United States is perfectly feasible, and that, if it is not done by some such body as the American Bankers Association, the work will go on spontaneously, but in spots, and not such general and immediate good results can be obtained as by complete organization. * * * The plan would include meetings of the association * * * at which the various subjects under study would be discussed, papers read, debates carried on, and lectures delivered from time to time by local or outside talent. Aside from every other consideration, the fraternal feeling which would be fostered among the clerks, and the spirit and devotion engendered between employes and employers should be of great advantage in carrying on business."

The committee urged the members of the American Bankers Association to support the project and to make possible the development of a nation-wide educational system. The committee's report concluded with the following question:

"Will you train them as they ask so that their work may be doubly effective, or will you neglect them, abandon them to their own efforts, and let the service drift along half incompetent, and yourself take the consequences of continuing your campaign with an untrained army?"

The American Bankers Association heartily approved the suggestions made by its committee and voted the necessary funds to carry on the preliminary work of organization.

Immediately after the adjournment of the Richmond convention, the committee proceeded to organize the American Institute of Bank Clerks. Naturally, it was deemed advisable to proceed slowly. The Institute of Bank Clerks was to be under the control of a board of trustees consisting of the members of the committee on education and some additional bankers. It was not thought wise to place any administrative authority in the hands of the bank clerks themselves. The American Bankers Association through its appointees was to have complete charge of the work of the Institute. Many bankers feared that if their employes banded themselves together into a local chapter, the results might lead to something akin to a labor union. Such fears, however, have proven groundless. From the very first the Institute was instrumental in developing the best sort of relations between banks and their employes. Another fear expressed by some was that the organization, instead of being educational in character, would sooner or later become mainly a promoter of social activities. Unfortunately this fear was realized in a number of cases during the early years of the Institute, but as time has passed its members have come more and more to realize that "the one and sole object is education and not burnt-cork entertainments." Social activities do, and always will, play a part in the life of the local chapters of the Institute, but the era of their domination has long since passed.

The Board of Trustees of the American Institute of Bank Clerks arranged an ambitious educational program, consisting of sixteen courses of study, covering fields ranging from penmanship to political economy. In a short time, however, it was found that bank clerks were interested almost solely in those subjects which were closely related to banking and banking practices. Consequently, the courses of the Institute of Bank Clerks were molded more and more along the lines followed by the English Institute of Bankers. Out of the original ambitious program came in time the three basic courses in banking, commercial law, and political economy. At first, four pamphlets, bearing upon those subjects, were prepared for the use of instructors and students. These pamphlets were subsequently developed into text-

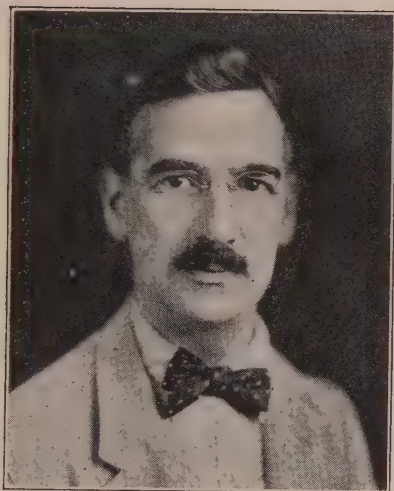
books, which have been revised and modified, until at present it can be said without question that the textbooks of the American Institute of Banking are most satisfactorily suited to the needs of the classroom.

A. O. Kittredge was the first secretary of the organization. He died in 1903. George E. Allen was elected to succeed him. "Uncle George," as he has always been affectionately known, was later made educational director. The early officers of the Institute had a monumental task before them. "Those early years, of course, were often discouraging and unfruitful. The study courses had continually to be changed, revised, and enlarged to meet the ever-changing conditions in the banking profession. Jealousy and opposition were met and overthrown. There was suspicion to be allayed among many of the banks. But the Institute idea was fundamentally correct and economically sound; its leaders were men of special ability, strong character, and unwavering courage; and above all, its members were actuated by a true ideal, a real ambition, and a sincere desire to accomplish greater things. Under such conditions, no organization could help but succeed."

The first annual convention of the American Institute of Bank Clerks was held at Cleveland, September 18-19, 1903. At that time, the roll included twenty-four chapters and 6,000 members. Thus, within three years the institute had actually "arrived." At that convention a proposal was made that the chapters be federated into a national organization and made practically independent of the board of trustees, but after considerable discussion it was decided to take no action. At the annual convention held in Atlantic City on September 6-8, 1906, an organization known as the "Associated Chapters" was formed. In order to affiliate the local chapters more closely with the board of trustees a number of prominent chapter members had been elected to membership on the latter board, but this had not obtained the desired results. Fred. A. Crandall was chosen president of the Associated Chapters. At a meeting of the board of trustees, held at Hot Springs, Va., in May, 1907, it was voted to transfer all property and the administration of the American Institute of Bank Clerks to the Associated Chapters as soon as possible, to change the name of the organization to the American Institute of Banking, and to make it a section of the American Bankers Association.



PAUL B. DETWILER
National President



RICHARD W. HILL
National Secretary



STEPHEN I. MILLER, JR.
Educational Director

NATIONAL OFFICERS, AMERICAN INSTITUTE OF BANKING

These changes were subsequently brought about, and a new constitution was adopted at the Providence convention in 1908. The final transfer of the Institute from the old to the new organization took place on July 26, 1908. W. E. Bullard was elected secretary of the new body, and George E. Allen was made its educational director. A. Howard Wolfe of Philadelphia was selected as assistant educational director, but in 1915 was succeeded by M. W. Harrison of New York, who served until 1919. Richard W. Hill became associated with the Institute in 1916, and in 1919 was made its secretary, which position he has most capably filled down to date. Stephen I. Miller, Jr., dean of the School of Business Administration of the University of Washington, was elected to succeed George E. Allen as educational director on October 1, 1923.

The Institute was financed by the American Bankers Association until 1910. Since that date all banks belonging to the association have been assessed to support the Institute. The sale of textbooks and the receipt of fees from the members of the Institute for subscriptions to its bulletin have also assisted in financing its activities.

At present, the educational program of the American Institute of Banking presents a systematic course of study arranged solely with an eye to the needs of the bank clerks of the nation. The member first takes the elementary course in banking fundamentals, which covers in a general manner the more important aspects of banking practice, banking theory, and banking law. The satisfactory completion of this course, which is usually given by a local banker, entitles the student to an elementary certificate and permits him to enter the standard courses. These standard courses are four in number, standard economics, standard banking, commercial law, and negotiable instruments. The completion of these standard courses gives the student the coveted standard certificate and makes him a graduate of the institute. From that point on the member is allowed to take any of the advanced courses, which include such subjects as accounting, credits, trust functions, public speaking, business correspondence, investments, savings bank practice, etc. Arrangements are now being made whereby a student who completes satisfactorily a certain number of these courses will be awarded a graduate certificate. Corre-

spondence courses are also given to members who reside in those cities in which there is no local chapter organization.

The Institute has also devised a plan of forum meetings, held either semi-annually or more frequently, in which Institute graduates and prominent bankers of the community gather to discuss important financial and economic problems. In some cities, forum meetings are held monthly. Debates on current topics are also arranged between chapter teams. One of the prominent features of the annual convention of the Institute is a public debate between the two champion teams. Another field of activity developed by the Institute is the task of carrying on the campaign for the education of the public regarding banking and other financial matters. Coöperating with the American Bankers Association since 1921, the members of the Institute have delivered lectures before public schools, colleges, universities, parent-teachers associations, luncheon clubs and other public gatherings. More and more are Institute men being called upon to speak in public on the vital issues of the day. Thus it is that the Institute has not only become a factor in preparing bankers to be better bankers and has raised the level of the banking profession, but it has also become an important vehicle in educating the public to appreciate the relations of banks and banking to the needs of the community.

The growth of the Institute has indeed been phenomenal. In 1903, it had twenty-four chapters, representing 6,000 members. On June 13, 1926, it reported 186 chapters, with 57,456 members, 35,210 of whom were enrolled in its courses of study. It is amazing to think that over 35,000 bank clerks in the United States are at present engaged in educational activities fathered by the American Institute of Banking. It has over 8,000 graduates who have completed the standard courses. In 1925, the American Bankers Association, to celebrate its jubilee anniversary, voted an educational endowment fund of \$500,000. The executive council of the Institute immediately rose to the situation and collected an additional fund of \$25,000. In order to tie the Institute more closely to the American Bankers Association, the latter body in 1926 made the president of the Institute a member of its administrative committee. This recognition proved conclusively that the association appreciates the work being done by the Institute for the education and training of bank employes. The

training which it affords produces excellent results. Many of its graduates are now numbered among the leading bank executives of the country.

During the Great War, large numbers of bank clerks were drafted into the service of the country. Women, who had not figured largely in the personnel of the banking world, were called in to fill the vacancies. The Institute was thus faced with a new problem, i. e., should it admit women to membership and to its classes? This situation was happily met, and in practically all instances women were either admitted as members of local chapters or were admitted to the classes without becoming members. The first chapter to form an autonomous women's auxiliary was that at Hartford, Conn. The San Francisco chapter was the first in a large city to establish a similar organization. In the spring of 1921 a representative committee of women employes of San Francisco banks was appointed to study the problem and to make a report to the local chapter. After discussing the matter from every angle, it was finally decided to establish an auxiliary body composed of women employed in the local banks, bond houses and trust companies. This proposal was approved by the board of governors of the local chapter on November 17, 1921, and a lounging room in the quarters of the San Francisco chapter was fitted up and set aside for the use of the auxiliary. Social meetings are held and card parties, dances, etc., are participated in by the members. Since 1917, women have played an increasingly important part in the affairs of the national organization.

The first chapter of the Institute to be organized in California was formed in San Francisco in March, 1902. Since that time twenty chapters in all have been established. At present nineteen are actively engaged in spreading educational ideals among the bank employes of the state. California has 10 per cent of the chapters of the national organization and 10 per cent of the membership—a wonderful showing for the state as a whole. In 1905, there were only three chapters, i. e., Los Angeles, Oakland, and San Francisco, with a total membership of 738. By 1910, another chapter was organized at San Diego, which made four chapters, with a total membership of 1,295. The Sacramento chapter was chartered in 1912. Various other chapters were organized between 1915-1920, but some became inactive because of war conditions, so that by the latter year there were only four chapters

in existence, i. e., San Francisco, Los Angeles, Oakland and Sacramento, with a total membership of 3,217. During the next five years, fourteen chapters were organized or reorganized, as a consequence of which the total number of chapters was increased to eighteen, with a membership of 6,828. On January 1, 1927, the chapters of the state and their respective memberships were as follows:

<i>Location</i>	<i>Membership</i>
Bakersfield -----	66
Citrus Belt -----	66
Fresno -----	64
Imperial Valley -----	48
Long Beach -----	226
Los Angeles -----	2,706
Oakland -----	658
Orange Belt -----	30
Orange County -----	51
Pasadena -----	98
Peach Belt -----	49
Sacramento -----	172
San Diego -----	281
San Francisco -----	2,397
San Jose -----	126
Santa Barbara -----	46
Sonoma County -----	148
Stanislaus County -----	110
Ventura County (inactive) -----	0
Visalia -----	68
Total -----	7,420

In many instances where the American Institute of Banking has established local chapters, the bankers of the community have been extremely sympathetic and have coöperated wholeheartedly in assisting their employes to take the educational courses offered. Especially in the larger cities of the state have the clearing house associations subscribed large amounts annually for the support of the work so as to provide adequate class rooms and teaching staff. Some banks make it a policy to encourage or even to compel their employes to enroll in the Institute classes, because of a realization of the need for trained workers. Some banks keep a careful check on the progress and attendance of their employes, and frequently reward those who complete a course by paying the class

fee or the cost of the textbook. A few banks also give a bonus of from \$10 to \$25 to those of their staffs who obtain the standard certificate. Many bank presidents call in their Institute members and compliment them upon the work which they are doing. It is not an unusual thing for a bank to announce that it will give preference to Institute graduates when matters of promotion are being considered.

On the other hand, however, we find in some parts of California a shameful lack of interest manifested by local bankers in the Institute work. In some instances, however, employes are sufficiently ambitious and regularly attend the Institute classes in spite of the lack of sympathy and encouragement shown by their superiors. Some bank executives give no preference to Institute graduates, and advance no funds to support its educational work. More and more, however, the bankers of the state are realizing the advantages to be derived by their employes from the Institute classes, and are giving their hearty support to its development.

Only two of the local chapters in California, i. e., San Francisco and Los Angeles, are able to offer each year the complete list of courses approved by the national organization for its members. Additional courses are also included, such as those in savings bank practice, escrows, filing, credits, investments, accounting, trust functions, etc. Many of the smaller chapters give but one or two courses a year, alternating the work in such a manner as to be able to complete the full set of required courses in two or three years. The chapters in San Francisco, Los Angeles, and Oakland have been very fortunate in being able to call upon the staffs of the universities located either in or near those cities, for aid in conducting the classroom work. The University of California at Berkeley and the University of Southern California at Los Angeles have been very helpful in the above connection. In some of the more outlying cities, the local chapters have had to depend upon the services of instructors in junior colleges or high schools, lawyers, local bankers, etc., for the conduct of their class work. Especially in the early days of the Institute in California did the bankers do yeoman service by acting as teachers of the small but interested groups of bank clerks. Quite frequently a local banker would be called in to read the lesson and to discuss its contents with the assembled group. It has been cus-

tomary wherever possible to use university or college instructors to give the work in standard banking, commercial law, negotiable instruments, public speaking, accounting, and similar subjects, although local bankers usually give the more practical subjects such as credits, trust functions, banking fundamentals, savings banks, etc.

Outside of San Francisco, Los Angeles and Oakland, the chapters are compelled to hold their classes in any rooms that are available. Sometimes meetings are held in the chambers of the local City Council, sometimes in the rooms of the Chamber of Commerce, sometimes in school buildings, church parlors, bank directors' rooms, etc. Two of the greatest needs of the California chapters outside of the three cities mentioned are: first, adequate meeting places and adequate classroom equipment; and second, satisfactory instructors to guide the members in their educational work.

California has twice been honored by the election of two of its Institute graduates to the national presidency of the American Institute of Banking. E. G. McWilliams of Los Angeles was chosen national president in 1916, and E. V. Krick of San Francisco in 1924. California has also been fortunate in having as members of the national executive council, Ralph A. Newell of San Francisco, who served from 1915 to 1918; John S. Curran of San Francisco, who served from 1918 to 1921; P. R. Williams of Los Angeles, who served from 1921 to 1923; and J. M. Turner of San Francisco, whose term runs from 1925 to 1928. At the Dallas convention held in 1925, P. R. Williams of Los Angeles was elected vice president of the national organization, and in the usual course of events will become the national president in 1927.

The first California chapter of the Institute was organized in San Francisco on March 16, 1902. The suggestion of a chapter had come from a committee of local bankers composed of the following: A. H. S. Schmidt, cashier of the German Savings & Loan Society; F. L. Lipman, vice president of Wells Fargo Nevada National Bank; James K. Lynch, vice president of the First National Bank of San Francisco; I. F. Moulton, cashier of the Bank of California; James R. Kelley, president of the Hibernia Savings & Loan Society; P. N. Lilienthal, manager of the Anglo-Californian Bank, Ltd.; Col. Francis E. Beck, assistant cashier of the Anglo-Californian Bank, Ltd.; and Lovell White, cashier

of the San Francisco Savings Union. P. J. Eastwick, Jr., was elected the first president of the local chapter. In January, 1905, it was arranged that members of the local chapter were to have the privileges of the Mechanics Institute, which possessed an excellent library and lecture hall. This affiliation was of great benefit to the chapter until the building of the Mechanics Institute was destroyed by the earthquake and fire of April, 1906. The latter then erected a temporary structure in which the chapter held its classes until July 1, 1907, when, owing to the inconvenience of the location, the relations between the two organizations were discontinued. On August 1, 1907, the entire third floor of 325 Kearny Street was leased and altered so as to make it suitable for chapter work.

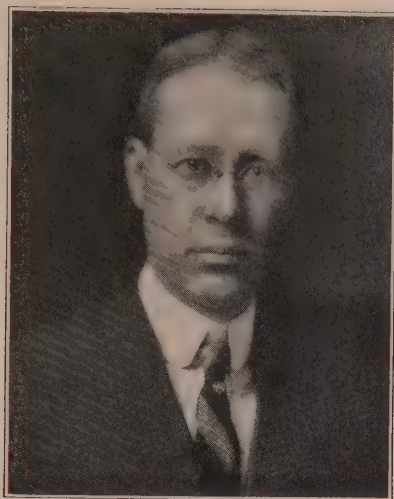
In 1907, the San Francisco organization had a membership of over 300 and was the fifth largest in the United States. The chapter later moved to 126 Post Street, where it leased the greater part of two floors and installed classrooms and library accommodations. In 1917, arrangements were made between the chapter and the Extension Division of the University of California whereby the latter provided instructors for a number of the classes. The development of an extensive educational program, which at present is second only to that of the Chicago and New York chapters, has resulted primarily from the efforts of John S. Wilson, secretary of the chapter since 1917. In 1925, an alumni association was formed among the graduates of the San Francisco chapter, the second association of that kind to be organized in the United States. William A. Marcus, vice president of the Mercantile Trust Company, was chosen president. The alumni association has been of great assistance in encouraging the bank employes to participate in Institute work. It annually offers a prize for the best classroom record. The San Francisco chapter has from time to time published a monthly magazine dealing with institute topics. It first issued *Progress*, then *Better Banking*, and at present is publishing *Chapter News*. Lee Crawford is president of the San Francisco chapter, and John S. Wilson is its permanent secretary.

The second California chapter of the Institute was organized according to official records on May 6, 1903, but unofficially some say that it was started on April 15 of that year. Joseph Chapman, Jr., of Minneapolis, the "Father" of the Institute idea, hap-

pened to visit W. W. Gibbs, Jr., formerly of Minneapolis, but at that time associated with the First National Bank of Los Angeles. As usual, Chapman preached the Institute idea to his friend, who in his turn carried the message to others. A meeting of the local bankers and their employes was held in the board of directors' room of the First National Bank, and a local chapter of the American Institute of Banking was formed. W. W. Gibbs, Jr., was elected president; R. P. Hellman, vice president; Don Carlton, secretary; and A. M. Brown, treasurer. The Los Angeles chapter prospered, and in 1907, was eighth in size, having 250 members. The next year it ranked fifth, and one of its members was elected to the executive council of the national organization. In 1908, it incorporated. In 1909, it had 475 members. At first it met in the hall of the Southern California Music Company; later in the assembly hall of the Chamber of Commerce Building. In 1907 and 1908, it gave two minstrel shows to raise funds with which to secure new quarters. In 1908, the Los Angeles chapter was the largest on the Pacific Coast.

Through the generosity of the Los Angeles Clearing House Association, the Security Savings Bank and the German-American Savings Bank, the chapter was able, in 1908, to move into clubrooms on the fifth floor of the Pacific Mutual Building. The organization grew socially rather than educationally, and in time gave up its charter and became a social club. However, on December 18, 1914, a reorganization meeting was held. Forty charter members signed up, and in a year's time this number increased more than tenfold. W. H. Thompson was elected president; W. D. Otis, vice president; W. N. Bucklin, Jr., secretary; and F. C. Bold, treasurer. Since that time the chapter has grown by leaps and bounds. An alumni association was formed on June 26, 1925, with P. C. Turman, president. In 1926, the Los Angeles chapter moved into larger quarters in the Lincoln Building, located at 742 South Hill Street, which had been leased for it by the Los Angeles Clearing House Association. The first course given by the chapter in 1915, was one in commercial law. Since that time its educational program has expanded until at present a large range of subjects are covered dealing with practically every phase of banking practice.

A committee of three local bankers appointed by the Los Angeles Clearing House acts as an advisory board in assisting



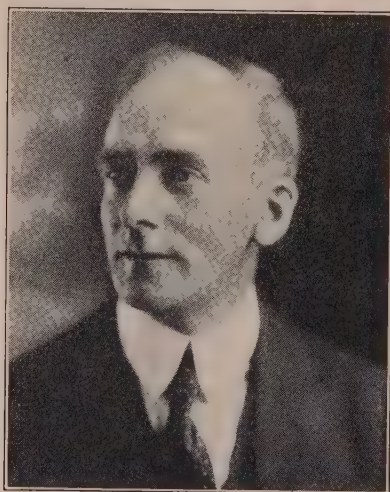
(Courtesy, Coast Banker)

JOSEPH CHAPMAN, JR.
"Father of the Institute Idea"



(Courtesy, Coast Banker)

E. V. KRICK
National President, American Institute of Banking, 1924



(Courtesy, Coast Banker)

P. R. WILLIAMS
National Vice President, American Institute of Banking, 1926

the local Institute to carry on its educational work. On October 14, 1920, the chapter decided to have a full-time assistant secretary, and Mr. Lake was appointed to that position. On December 16, 1920, he was succeeded by Mrs. E. B. Putnam. In April, 1922, the chapter separated the office of treasurer and secretary, the treasurer to be elected annually, and the secretary to be permanent and give full time to the Institute. Mrs. Putnam was then advanced to the secretaryship, which position she has since held most efficiently. At present (January, 1927) Dale M. Tussing is president of the local chapter. With the astounding territorial expansion of Los Angeles, distances became so great that it was difficult for many of the members to come to the Los Angeles headquarters for instruction. Consequently a San Fernando Valley branch was organized in the fall of 1925, with thirty members, and some classes are now being given by it at Lankershim.

As early as 1907, the Los Angeles chapter published a little magazine called *Chapter Graph*, devoted to the interests of the organization. In January, 1918, *Cage and Desk* was started, with Joe Coles as editor. F. B. Putnam served as editor for five years, and was succeeded by H. W. Sanders. *Cage and Desk* has always occupied a prominent place among the magazines of the Institute chapters, and took first prize at the Baltimore convention in 1924 as being the best chapter publication in the United States.

The next chapter to be organized was that at Oakland, which was established in August, 1907. John C. Veith was the first president and served for only six months, being succeeded by F. M. Cerini. Kenneth A. Millican was the first secretary. George W. Ludlow, in writing of the early days of the Oakland chapter, has made the following comments:

"Several Wednesdays ago, some of the boys were talking about the improvement in the A. I. B. educational courses. We recalled how, when the course was first started, half a dozen of us gathered around a table in the clearing house, and F. M. Cerini, of the Oakland Bank of Savings, read the lesson or lecture, from a multi-graphed copy which was none too clear. He used to have to read it over at home several times and fill in the words that had missed connection with the ink.

"Ten was a goodly number of a class in those days. Now all is different. Every man has his own bound volume of the up-to-the-minute course, and it is 'administered' by the University of

California Extension Division. Those who successfully pass the examinations are given credit in the university toward a degree, if they should care to make use of it. Fifty is the average attendance at these classes."

The territory covered by the Oakland chapter embraces the cities of Oakland, Alameda, Berkeley, Emeryville, Richmond, Crockett, and Hayward. Its classes are held in the rooms of the Oakland Clearing House Association. The present officers are O. L. Texdahl, president, and F. Gustavson, Jr., secretary-treasurer.

A chapter of the American Institute of Banking was organized in San Diego on December 12, 1908, with L. J. Rice, president. Undoubtedly the local situation was not conducive to the continued life and activity of the organization, and it quietly passed out of existence because of lack of support. Reorganization took place in 1914, with T. C. Hammond as president. But the banks of San Diego evinced but little interest in the chapter work, as a consequence of which the American National Bank for a time conducted a class of its own in commercial law, taught by Professor Stanton of the Coronado High School. A class in Spanish was also conducted. President Hammond, L. J. Rice, L. G. Bradley, W. L. Garrett, and I. I. Irwin actively participated in carrying on the work at that time, Mr. Irwin personally paying the expenses as well as giving frequent lectures on the subject of banking.

In 1917, owing to war conditions, the chapter again disbanded. On November 29, 1921, it was reorganized, the meeting for that purpose being held at the suggestion of G. S. Pickrell, then vice president of the First National Bank. A delegation from the Los Angeles chapter assisted materially in getting the work under way. E. F. Farnsworth was elected president, and O. Austad, secretary. In 1923, J. O. Miller, who was president, suggested the establishment of a chapter publication. *The San Diego Banker* has been issued since that time, with Ray W. Dougherty as editor. Dougherty was also editor of *The First Bank's News*, the house organ of the First National Bank of San Diego. Until 1926, the chapter organ was published without expense to the chapter, but after that date the local Clearing House Association has contributed \$100 monthly towards meeting its expenses.

In 1924, under the leadership of C. S. Ranney, who was then president of the chapter, permanent classrooms were leased in a downtown building. In 1925, Mr. Ranney was appointed state chairman of the membership committee of the national organization, and in 1926, Ray W. Dougherty was appointed state chairman of the publicity committee of the national organization. The teaching staff of the San Diego chapter is composed of members of the local bar, bankers, and teachers from the city schools. The present officers are Ray W. Dougherty, president, and W. C. Foote, secretary.

The Sacramento chapter was organized on June 8, 1912, with a membership of 108. George W. Kramer of the Sacramento Bank was elected president, and H. M. Weston of the California National Bank, secretary. Members of the San Francisco and Oakland chapters were present and assisted in getting the chapter started. In 1914, it began the publication of *The Teller*, which was later discontinued. E. A. Brown, assistant cashier of the California National Bank of Sacramento, a graduate of the San Francisco chapter, volunteered his services as instructor, and for many years thereafter continued to take an active interest in the educational work of the local organization. The present officers are Everett B. Johnston, president, and F. G. Leserer, secretary.

Some time during 1916, a chapter was organized at Stockton, but it did not prosper, owing to the lack of support among the local bankers, and dissolved about a year later. It was revived, however, in 1921, but again did not secure the needed support and disbanded shortly thereafter. The Fresno chapter was organized on February 9, 1917, with Louis Einstein president. Its first classes were conducted by Dr. Ira B. Cross, professor of economics at the University of California, who at that time was also assisting in the educational work of the San Francisco, Oakland and Stockton chapters.

The Fresno chapter disbanded because so many of its members enlisted with the American forces during the Great War. It was reorganized, however, on October 15, 1922, and has actively continued down to date. The present officers are A. H. Drake, president, and Mary Arakelian, secretary. The San Jose chapter was organized on October 2, 1917, with the following officers: W. E. Blauer, president, and Paul Rudolph, secretary. It likewise disbanded during the critical period of the Great War, but was re-

organized on March 18, 1922, with J. E. Morrish, president. Its officers at present are R. L. Cody, president, and F. E. Whitmer, secretary. The class work of the San Jose chapter has been conducted by professors from Stanford University, by local lawyers and bankers, and by instructors from the Oakland and San Francisco chapters. About 135 employes of banks located in Santa Clara County are members of the San Jose chapter.

The Orange Belt chapter was formed as a consequence of the activity of Dr. M. J. Sweeney, president of the First National Bank of Redlands. It was organized on October 6, 1920, with C. L. Cronk of San Bernardino, president, and V. J. Micallef, secretary. The Orange Belt chapter includes bank employes residing in San Bernardino and Riverside counties. It had been preceded by an association known as the Riverside County Bank Clerks' Association, formed in 1910. The latter had held five meetings a year to discuss banking topics, and to hear addresses by members and others prominent in local financial circles. The territory covered by the Orange Belt chapter includes the towns of Redlands, San Bernardino, Colton, Riverside, Corona, and Arlington. Inasmuch as these cities are rather distant from each other, classes are conducted both at Riverside and at Redlands.

On August 13, 1920, H. Howard Pepper, assistant cashier of the First National Bank of Santa Barbara, called together a group of representatives of the banks of that city and urged that a chapter of the Institute be organized. Mr. Pepper had earlier been the president of the Providence, R. I., chapter. The Santa Barbara chapter was finally organized on September 15, 1921, with twenty-nine members. H. Howard Pepper was elected president, and Miss H. Culp, secretary. Classes have been conducted by local bankers and by teachers from the Santa Barbara High School and Junior College. The present officers are H. S. House, president, and E. Lindbery, secretary.

The Citrus Belt chapter, covering the citrus orchard territory, was formed on June 6, 1922, with J. D. Coles, president, and Mary E. Cook, secretary. It includes bank employes residing in the following cities located in Los Angeles and San Bernardino counties: Azusa, Baldwin Park, Chino, Claremont, Covina, Cucamonga, Glendora, LaVerne, Ontario, Pomona, Puente, San Dimas and Upland. The work of the chapter has been heartily supported by the Citrus Belt Bankers Association. Prof. George

S. Burgess of Pomona College has from the first served as the instructor of the chapter. The present officers are F. C. Robinson, president, and J. E. Davis, secretary. The Ventura chapter was organized on April 7, 1923. It is now inactive.

The Long Beach chapter was formed on June 14, 1923. The Peach Belt chapter, whose members reside in Yuba, Sutter, Yolo, and Butte counties, was organized in September, 1923. The first officers were S. J. Flannery, president, and Clifford Hill, secretary-treasurer. Dunning Rideout, manager of the Marysville branch of the Bank of Italy, and H. B. P. Carden, cashier of the Decker Jewett Bank, have aided materially in the educational work of the chapter. Meetings are held in the rooms of the Marysville Library. The present officers are W. C. Owen, president, and O. C. Peterson, secretary.

The first meeting, looking towards the organization of a chapter of the institute in the Imperial Valley, was called together in the fall of 1923 at the instigation of W. L. Garrett, cashier of the El Centro branch of the Pacific Southwest Trust & Savings Bank and also president of the Imperial Valley Bankers Association. Mr. Garrett was an Institute graduate, and had served as secretary of both the Kansas City and San Diego chapters. P. R. Williams, a member of the executive council of the national organization, and C. J. Shepherd, then manager of the Los Angeles branch of the Federal Reserve Bank of San Francisco, were also present and addressed the assembled bank employes. On January 2, 1924, the Imperial Valley chapter was formally organized, with W. L. Garrett, president, and Julius C. Sloan, secretary-treasurer. This chapter gathers its members from the cities of El Centro, Holtville and Calexico.

The local bankers have not as yet rallied to the support of the latter chapter. Instruction has been made possible through the courtesy of Mr. Garrett, who has given the standard banking course without pay, and of the El Centro Junior College, which has provided a classroom and allowed \$3 per hour towards the expenses of paying for the services of W. W. McEuen of the Pioneer Title Insurance & Trust Company, who has given several courses for the chapter. The present officers are K. R. Harrington, president, and Charles H. H. Small, secretary-treasurer.

The Sonoma County chapter was formed October 10, 1923, with J. R. Williams of Healdsburg, president, and George E.

Parrish of Santa Rosa, secretary-treasurer. It started with a membership of thirty-five, which trebled in about three years' time. Classes are held both at Santa Rosa and at Petaluma. The work in the former city is under the direction of C. J. Tauzer, an attorney, and in the latter city under the direction of W. T. Mooney, also an attorney. D. R. Hollingsworth is president, and G. E. Parrish is secretary-treasurer. The Pasadena chapter, formed on August 13, 1924, through the efforts of Travis W. Miner, elected him its first president. Mrs. A. F. Roberts was the first secretary. Joseph Caunt of the Security Trust & Savings Bank of Pasadena has taken an active part in assisting in the class work of the chapter. The present officers are H. L. Margerum, president, and Matilda Adams, secretary.

The Orange County chapter and the Bakersfield chapter were organized on October 3, 1924, and December 4, 1924, respectively. The first officers of the Bakersfield chapter were W. W. Parshall, president, and M. J. Stockton, secretary-treasurer. I regret that I was unable to obtain additional information regarding these two chapters. The Sequoia chapter, located at Visalia, was formed at a meeting held September 20, 1926. Temporary officers included Robert M. Elliott, president, and A. A. Fluetsch, secretary-treasurer. On November 16, 1926, the following officers were elected for the year: J. R. Barboni, president, and A. A. Fluetsch, secretary-treasurer. Lewis Wright of the Liberty Bank of Tulare was active in fathering the idea of a chapter in that community. H. M. Hetzler of the New First National Bank *in* Visalia has had charge of the instruction up to date.

The Stanislaus County chapter, located at Modesto, was the last to be brought into existence. It was organized on October 21, 1926, with the assistance of J. M. Turner, a member of the executive council of the national organization. One hundred and ten employes of the banks in Stanislaus and Merced counties signed the charter roll. E. H. Tienken was elected president, Anna J. Olesen, secretary, and A. L. Harris, treasurer. The class work has been under the direction of Prof. W. D. Fuller of the Modesto Junior College.

The main function of the American Institute of Banking is to provide opportunities. It cannot create initiative and ability. It can only aid those who wish to develop the best that is in them, and like all other organizations, it gives back in proportion to

what its members give to it. In California, it has had a wide and penetrating influence in aiding its members to become successful in their chosen profession. Many of its graduates are at present occupying prominent executive positions in California banks. The hopes and expectations of its founders have been more than fully justified by the results that have been obtained since its inception.

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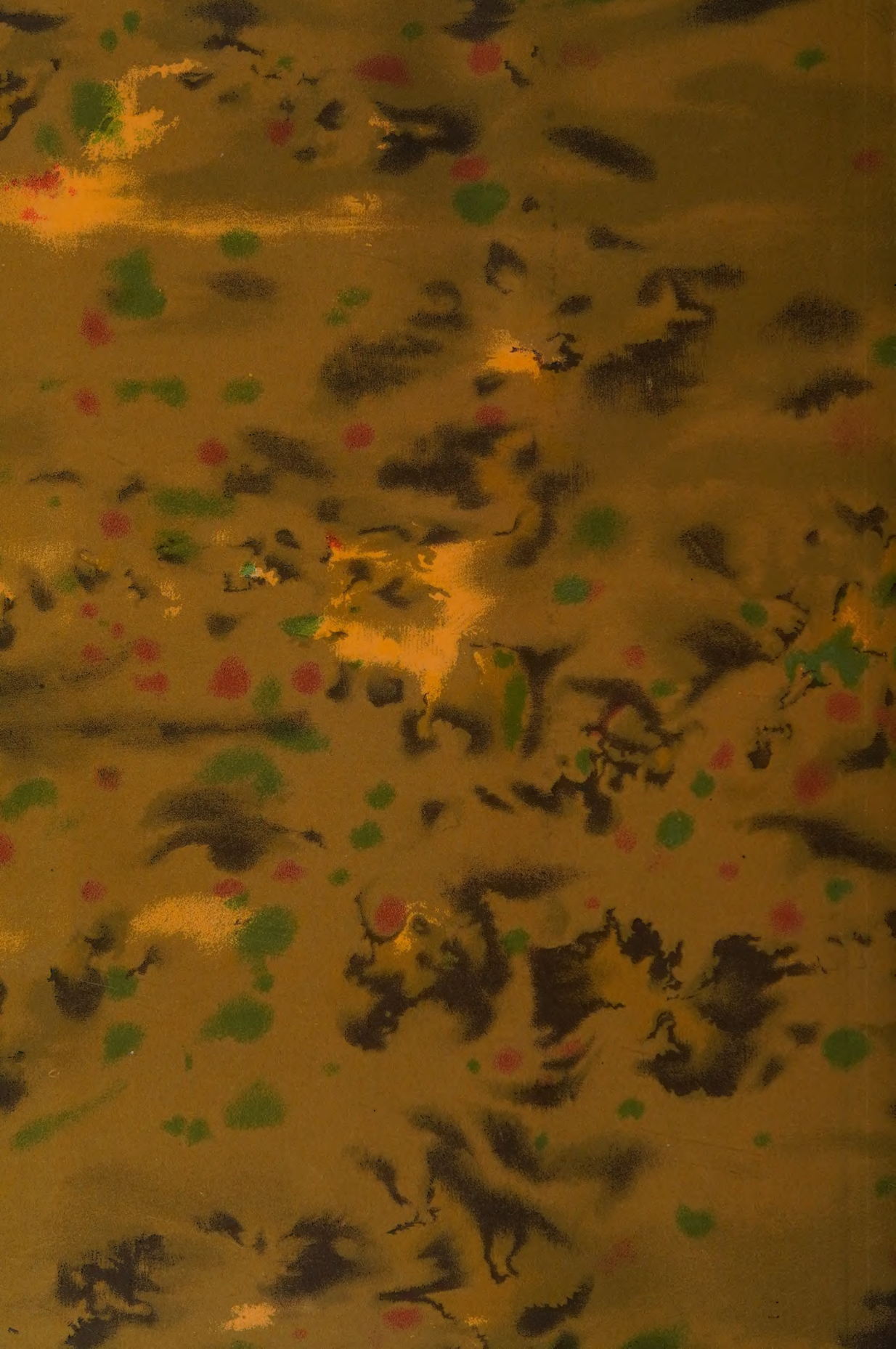
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